TURBON

Annual Report 2010

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At a glance

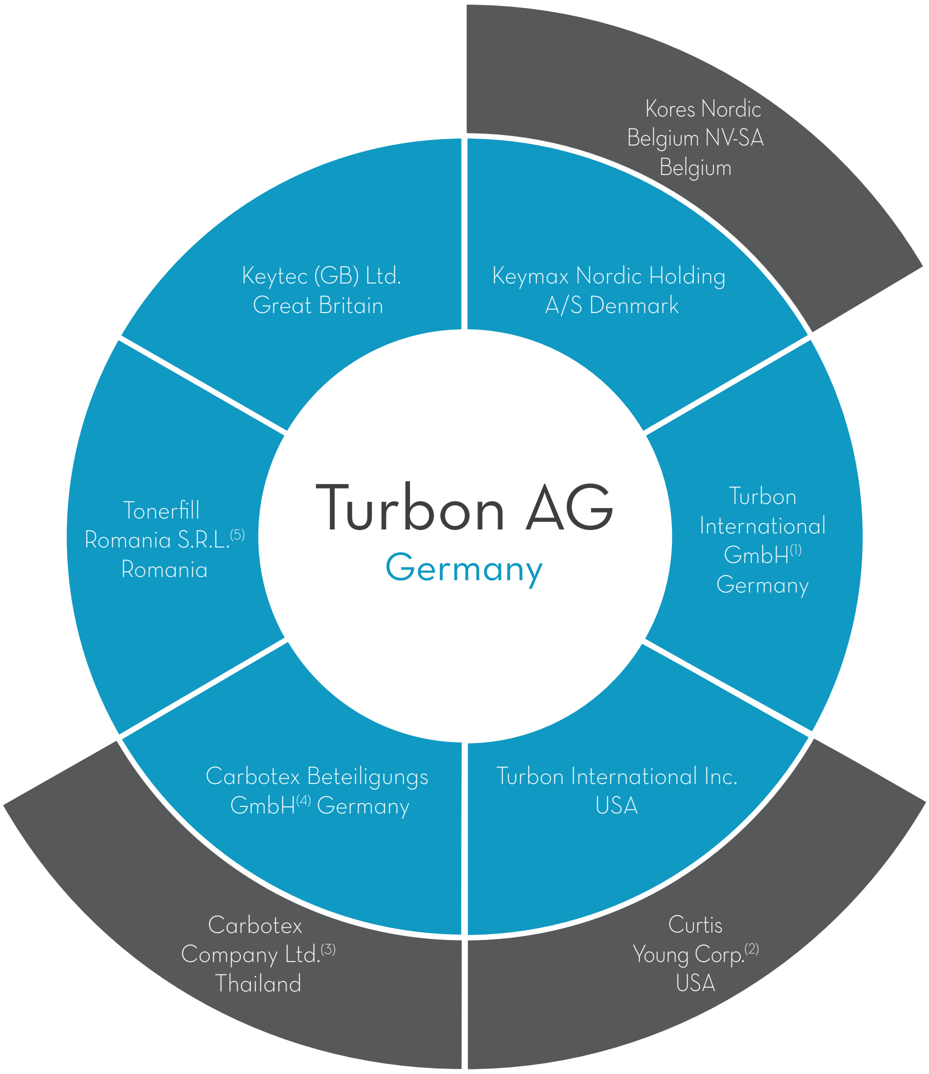
Turbon Group

	2010 1,000 Euro	2009 1,000 Euro	2008 1,000 Euro
Consolidated sales	75,717	85,882	98,324
Depreciation	1,234	1,715	1,395
Earnings before interest and taxes	4,847	6,754	4,273
Result from ordinary operations	3,859	5,836	2,899
Group net earnings	2,163	3,463	1,607
Undiluted earnings per share	0.62	0.96	0.44
Cash Flow	3,440	5,473	2,910
Long-term assets	20,402	20,928	18,056
Short-term assets	37,757	34,418	35,218
Shareholders' equity	23,781	23,290	22,060
Net indebtedness*	0	0	5,292
Balance sheet total	58,159	56,356	53,274
Equity ratio	40.9%	41.3%	41.4%
Employees on average	1,005	953	1,151

* Financial liabilities less liquid funds

Turbon Group

Operative Structure



(1) to be named Turbon Europe GmbH
(2) to be named Turbon USA Inc.
(3) to be named Turbon (Thailand) Co., Ltd.
(4) to be named Turbon Beteiligungs GmbH
(5) to be named Turbon Romania S.R.L.

Combined Management Report of the Group and Turbon AG for the 2010 Fiscal Year

Turbon AG acts as the holding company of the Turbon Group. Alongside strategic and planning activities, its main tasks are primarily the control and coordination of the Turbon Group companies operating in the market.

The company has taken advantage of the facility provided in 315 (3) Commercial Code (HGB) and issued a combined Management Report for the Turbon Group and Turbon AG. Since the course of business, the situation of the company and the future development risks of Turbon AG and the Turbon Group are largely the same, the following statements, unless otherwise indicated, apply to the Turbon Group.

Business Environment in 2010

GLOBAL ECONOMY

The International Monetary Fund (IMF), which reports on the development of global economic growth, calculates an increase of 5.0% in 2010. The industrialized countries consequently recorded a 3.0% increase in gross domestic product, whereby this, further to a decline of 3.4% in 2009, lies below the level prior to the start of the global financial and economic crisis. In contrast, the so-called emerging and developing countries achieved GDP growth of 7.1%.

Overall, economic recovery in the third quarter of 2010 slowed down according to the IMF. Uncertainties were the private sector demand and the impact of the end of economic incentives from the state.

BRANCH SITUATION

The most important regional markets for the Turbon Group showed weak growth rates, which remain below the overall average for industrialized countries.

It is therefore not surprising that also during 2010 the trend identified during the economic downturn was one moving away from expensive cartridges from printing manufacturers and towards compatible alternatives at a more attractive price. This was advantageous for suppliers such as Turbon. However, due to only moderate economic growth and high unemployment in the USA and Europe, the demand for office supplies in general, and thus also for laser cartridges, continued at below the pre-crisis level.

Consolidated Financial Statements 2010

EARNINGS POSITION

Consolidated sales in the 2010 fiscal year were Euro 75.7 million compared to Euro 85.9 million in the previous year. This is a decrease of Euro 10.2 million (11.9%). The termination of business relations with Staples/Corporate Express in the USA in 2009 contributed significantly to this decline in sales. In 2009, consolidated sales included Euro 17.0 million from this business relationship. With the current customer base, however, our sales were able to increase by Euro 6.8 million in 2010. By territory the sales increase was Euro 4.9 million in Europe and Euro 1.9 million in the USA.

Our core product, laser cartridges, accounted for Euro 66.8 million (88.3% of aggregate sales). In 2009, this area accounted for 88.7% of sales. All other sales (including impact products) amounted to Euro 8.9 million (11.8%) in 2010 as compared to Euro 9.7 million (12.3%) in the previous year.

The sales development in colour cartridges continues to be above our overall average. In this segment, sales increased significantly to Euro 17.7 million (23.4% of total sales) in 2010 as compared to Euro 13.7 million (15.9% of total sales) in 2009.

Our gross margin improved on the previous year by 0.4 percentage points to 20.8%.

The Euro 0.4 million increase in selling expenses was due to stepping up our sales activities following the loss of the customer Staples/Corporate Express.

Administration costs were below the previous year's level.

After netting other operating income and expenses, 2010 has a positive balance of Euro 0.8 million as compared to a positive balance of Euro 0.7 million in 2009. The improvement in earnings was mainly achieved from currency gains.

The financial result worsened slightly from Euro -0.9 million in 2009 to Euro -1.0 million in 2010 due to lower interest income. The main interest expenses are on the bond bearers with a fixed maturity date of July 2013 (Euro 0.7 million), on interest expenses to be calculated as part of the accruals for pension obligations in Germany and England (Euro 0.2 million), and on interest for factoring.

Earnings before interest and taxes (EBIT) amounted to Euro 4.8 million in 2010 compared to Euro 6.8 million in 2009. The result from ordinary operations was Euro 3.9 million (previous year: Euro 5.8 million), and the consolidated net profit was Euro 2.2 million (previous year: Euro 3.5 million).

Income from ordinary operations in the separate financial statements of Turbon AG was Euro 6.9 million versus Euro 2.0 million in the previous year. In accordance with the German Commercial Code (HGB) regulations which are relevant for the financial statements of Turbon AG, a one-time expense of Euro 0.4 million, resulting from adjustments required by the Accounting Law Reform Act (BilMoG), was posted as an extraordinary expense. Profit before taxes was then Euro 6.5 million (previous year: Euro 2.0 million). The result after tax was Euro 5.9 million compared to Euro 1.7 million in the previous year.

Undiluted earnings per share of Euro 0.62 calculated based on the average share portfolio have decreased versus a result per share of Euro 0.96 in the previous year.

FINANCIAL POSITION AND NET WORTH

The balance sheet total as at December 31, 2010 amounted to Euro 58.2 million, which is Euro 1.8 million above the previous year's value of Euro 56.4 million.

On December 31, 2010, consolidated fixed assets are almost unchanged at Euro 16.6 million (previous year: Euro 16.5 million).

Compared to fiscal year 2009, the inventories increased slightly to Euro 15.3 million (previous year: Euro 14.6 million). This increase is a result of the increase in sales since the fourth quarter of 2010.

Trade receivables increased to Euro 9.9 million (previous year: Euro 8.0 million). This was due to higher sales in the last quarter of 2010 compared with the previous year's timeframe, as well as reduced financing from trade receivables as part of a factoring agreement with the German subsidiary Turbon International GmbH (Euro 3.4 million as compared to Euro 3.6 million on December 31, 2009).

Other assets rose by Euro 0.8 million to Euro 3.7 million (previous year: Euro 2.9 million). This increase was mainly due to the higher positive fair values in the balanced cash flow hedges of Euro 0.4 million, as well as higher sales tax rebate claims of Euro 0.2 million.

The property of the decommissioned site in Harlow, England, which was designated in the consolidated balance sheet of December 31, 2009 as „assets held for sale", was sold at the beginning of the last quarter of 2010 for a price of 1.25 million British pounds.

Equity as of December 31, 2010 was Euro 23.8 million versus Euro 23.3 million in the previous year.[1]

Equity per share as at December 31, 2010 was Euro 7.22 versus Euro 7.07 in the previous year. The equity ratio was 40.9% on December 31, 2010 (previous year: 41.3%).

On December 31, 2009, Turbon AG held 106,320 of its own shares. During the year, Turbon AG issued two buyback offers to its shareholders, and a total of 240,777 shares were sold to the company. On the balance sheet date December 31,2010, Turbon AG thus held a total of 347,097 units of own shares which do not belong to the Shareholders' Equity (Euro 2.1 million; previous year: Euro 0.5 million).

The long-term liabilities were reduced in the reporting year from Euro 14.9 million on December 31, 2009 to Euro 14.1 million on December 31, 2010.

The pension reserves on December 31, 2010 were virtually unchanged at Euro 2.9 million. This position relates mainly to the reserves at Turbon AG and at Keytec (GB) Ltd. (previously: Kores Nordic (GB) Ltd.).

Turbon AG has no bank liabilities in the balance sheet. The long-term fixed interest bond of Euro 9.9 million was offset by liquid assets of Euro 10.3 million.

The short-term accrued taxes were almost exclusively comprised of income tax accruals at the German location in the reporting year.

Other reserves and accrued liabilities increased by the balance sheet date to Euro 6.1 million (previous year: Euro 5.7 million). This includes Euro 1.7 million of accruals for expenses associated with restructuring measures in the USA. These measures mainly concern the merging of our activities in the USA at the York, PA location and the related closure of the location in Cinnaminson, NJ.

Other liabilities increased by Euro 0.4 million to Euro 1.3 million (previous year: Euro 0.9 million).

1: Details on the Changes in Shareholders' Equity are on page 24.

MARKET PERFORMANCE

The markets where the Turbon Group is active are influenced by a range of different factors.

The most important influencing factor is OEM (Original Equipment Manufacturer) activity, which is mainly characterised by an extremely dominant manufacturer with about 75% of market share. Furthermore, there are a number of additional printer manufacturers, which compete for market share using different concepts.

It can be summarised that laser printers continued to represent the leading technology of the printer manufacturers, also in 2010. Several new monochrome and colour printing systems were introduced to the market, with the clear focus in the area of colour systems. With regard to pricing policy for consumables, there were no fundamental changes. The OEMs continue to offer their laser cartridges at a price level which enables manufacturers of compatible consumables to offer alternatives at attractive prices.

Besides Turbon, there are a variety of suppliers in the market, and Turbon is among the large suppliers. The individual suppliers differentiate themselves through their product ranges and particularly through their regional strengths and serviced customer groups. Consolidations, which also affected smaller and medium-sized suppliers in 2010, did not have any major impact on the structure of competition in our market.

The Turbon Group distributes their products exclusively through resellers, who then in turn operate in the market with various strategies. Focusing on the laser cartridge sales volume of our potential customers, we can differentiate between large, international distributors of office supplies, medium-sized traders which serve the national or regional markets, and small customers. The market strategies of our customers are as diverse as their requirements. Turbon is able to meet these different requirements and provide product and services to large customers as well as a variety of medium-sized and smaller customers.

MARKET POSITION

The most important markets for the Turbon Group are Europe and North America, which are served by our distribution sites in Germany and the USA.

Based on our high manufacturing and engineering standards, we have earned a very good reputation in terms of the quality and reliability of our products. Particularly in the area of technically more challenging colour cartridges, the quality of Turbon products is on a par with OEM cartridges, and thus well above the market standard for compatible products. Our production sites in Thailand and Romania ensure this level of quality in the long-term through well-developed quality management systems and intensive research and development. Through their logistical know-how and distinctive customer service, the distribution sites ensure that our customers are offered not only a product, but, rather, a multifaceted service package.

With this attractively priced service package, we can compete with products from both printer manufacturers and compatible suppliers. Compared to the OEM products, we can offer the same quality at a much more attractive price; compared with other suppliers of compatible products, the above combination of excellent quality and service is our differentiating competitive advantage.

In Europe we have earned the leading market position as supplier of compatible laser cartridges, and we continuously grow on this basis. On the one hand, this growth is generated through gaining new customers, but also through increased sales from existing customers.

In the USA, we have lost significant sales volume from the termination of supplier relations with Staples/Corporate Express, and have to regain a position in the top group of suppliers through intensive sales work and knowledge of the qualities, which made us successful in Europe. We have now positioned ourselves to gain market share through organic growth. This will be achieved by staying close to our customers, particularly through new product launches, and through our high quality and delivery performance, in order to solidify our position as the high-performance alternative to our competition. Our aim is to achieve a significant increase in sales in 2011. The sales figures of the first two months of 2011 show that we are on the right track.

ENVIRONMENT

Reconditioned laser cartridges present considerable advantages for our environment. The protection of natural resources has gained increasing importance and, in the meantime, is often the final factor for a purchasing decision in favour of a product. Our sales teams are constantly meeting environmentally sensitive customers who are paying great attention to this aspect. The companies of the Turbon Group collect used laser toner cartridges worldwide and send them to our production sites in Thailand and Romania for reconditioning. In addition, our manufacturing plants operate on a Zero Waste Concept basis, which ensures both a maximum level of component reuse and recycling of the material that is no longer usable.

Turbon supplies its customers with environmentally friendly products. Our business model is based on the sustainable preservation of the environment and its resources as well as on additional cost advantages offered by our products. Our reconditioning processes protect used laser cartridges from being disposed of ultimately as waste. Experts estimate that the share of laser cartridges that are irretrievably disposed of is approx. 70%. This fact allows us to reemphasize the environmental friendliness of our products.

PERSONNEL

The Turbon Group had an average of 1.005 employees in 2010 (953 in 2009). The number of employees on December 31, 2010 was 976 (2009: 983). Added to these are temporary staff employed indirectly through a temporary employment agency in Thailand. These temporary staff numbered 511 as of December 31, 2010 (2009: 633).

Turbon AG employed 5 members of staff on average during the year and at the end of the year.

We would like to thank all Turbon Group employees for their good work in the fiscal year ended. Our thanks are also due to the employee representatives for their cooperation at all times.

RESEARCH AND DEVELOPMENT

In connection with research and development at the Turbon Group, it should be remembered that we do not manufacture a new product, but we recondition a used product.
The primary goals here are the rapid market launch of new, high-quality cost-effective alternatives to OEM products. The expenses incurred for this purpose in 2010 remained unchanged at approximately Euro 1.2 million. The total expenses mainly concern personnel costs and test and development equipment, mainly at the production sites in Thailand and Romania. As before, the area of colour cartridges is at the centre of our activities.

CAPITAL EXPENDITURE

In 2010, investments in assets was a total of Euro 0.5 million (previous year: Euro 0.8 million).

Risk Report

The companies of the Turbon Group are faced with risks and opportunities which could have an effect on the assets of the group, the profit, the cash flow, and also on the intangible assets.

The Turbon Group risk management system enables the company management to identify such developments at an early stage. The risk management system, which is regarded as a group-wide task, detects and evaluates the existing and potential risks that threaten the group's existence. In addition, risk management is an important part of the overall management information system and is seen not only as a tool to avoid risks but also as a tool to identify opportunities for the group. The group controlling system of the holding (Turbon AG) is the starting point and core of the operative risk monitoring system. Key elements are the monthly reports from the group companies for the balance sheet and income statement, as well as monthly profit centre reporting, which allows a detailed insight into the economic processes at the companies, and also the comprehensive quarterly reports and the annual reports which are checked by our auditors. The monthly reports are available on an up to date basis so that risks can be identified quickly, thereby allowing a fast response to potentially unfavourable developments. The central evaluation of information is supported by direct access to specific employees in the group companies, who are actively involved in the detection and evaluation of risks.

Other components of internal risk management are cash management, receivables management, inventory management and worldwide production and capacity planning. At the subsidiaries, contracts and agreements which are to be concluded are subjected to an additional central control through special „Legal Reporting". Additionally, in 2010, particularly short and medium term liquidity planning was improved by the introduction of a database-supported Treasury Management System.

The group-wide planning, controlling and reporting processes are reviewed on a regular basis for their effectiveness and efficiency.

Due to the international nature of its business, the Turbon Group is exposed to a significant amount of varying risks.
In order to minimize the financial consequences of potential damage, insurance is taken out where available and commercially sensible. The scope and amounts of these insurance contracts are continually reviewed and revised as necessary.

Major risks for the Turbon Group are described in the following sections, whereby the order in which they appear does not indicate the importance, probability or potential extent of damage.

PROCUREMENT MARKET RISKS

Our production output may be impaired by delivery interruptions or quality defects in raw materials. If we fail to use production facilities of another location in these cases or to serve demands from our inventories, there might be a decline in sales. We secure our supply with critical raw materials (in particular toner powder and electronic chips) by close cooperation with suppliers to the maximum extent and by parallel procurement from various suppliers. It should be mentioned that, especially for toner powder for colour cartridges, there is only a very limited number of suppliers that meet the quality standards required by Turbon.

When appropriate, higher inventory levels are held for these raw materials. The same applies to raw materials from suppliers which are concentrated on particular geographic regions.

Our production locations require an adequate supply of previously used laser cartridges (empties) for our remanufacturing process to begin. Accordingly, the collection of empties is an important task for all locations of the group. The Turbon Group has established an efficient worldwide collection system, which reduces the risk of insufficient empties supplies for the Turbon Group.

SALES RISKS

There is the general risk that price reductions will not be compensated by a corresponding growth in volume. As before, we deal with this situation using strict cost management at all locations.

A general risk in the area of sales is the concentration on a relatively small number of large customers. In 2010, the five largest customers made up 48% of our total sales (previous year: 52%). This risk can be reduced by increasing sales with new and recently gained customers. In connection with this, a flexible structure which enables fast adjustment to fluctuations in sales is important.

DEFAULT RISKS

We limit default risks by regularly analyzing the creditworthiness of our customer portfolio on the basis of a receivables management policy. Most customer receivables are insured by third-party credit insurance, corporate guarantees or strict payment in advance terms. With respect to all receivables sold in the context of a factoring agreement, the factor bears 100% of the default risk. We have suffered only small losses in this area over the last few years, mainly as a consequence of our strict receivables policies. However, we notice that the insurance limit of credit insurers is given more restrictively than would be desired, especially with increasing sales with specific customers. In these cases, we cooperate with the customers to find solutions that are acceptable to both sides. In individual cases, controlled internal credit limits, which exceed that of the credit insurer, are granted.

LIQUIDITY RISKS

Sufficient availability of liquidity is of utmost importance for the Turbon Group. Our cash management system provides up-to-date information about the actual financial status and expected cash flows from the individual group companies on a central basis. Over the last few years, the Turbon Group has worked towards achieving sustainable financial strength. Our credit facilities are covered through long-term contracts and compliance with the underlying covenants is strictly monitored. As of December 31, 2010, all agreed credit facilities were firmly in place, but were not drawn upon. Additional liquidity is available through the existing factoring agreement. The group liquidity planning and management was further improved by introducing a Treasury Management System.

CURRENCY RISKS

As the Turbon Group transacts a portion of its business, on both the procurement and the sales side, in currencies other than the Euro, currency fluctuations can affect earnings. This risk is particularly increasing due to the growing volatility in currency developments. The group companies report their currency surpluses and deficits to the group. At group level, an aggregated net position per each currency is created with the objective of achieving the most comprehensive „natural hedging“ possible through proactive currency decisions (e.g. choice of supplier). The most important foreign currencies are the US Dollar and the British Pound.

The main currencies are controlled actively through foreign exchange forwards. For detailed explanations, see Reporting of financial instruments in the Notes to the Consolidated Financial Statements 2010.

LEGAL RISKS

Legal risks arise for the Turbon Group from potential changes in laws or jurisdiction, particularly in the field of environmental law, and also from non-compliance with some very formal regulations.

The unimpaired transportation of empties to our manufacturing locations is critical for our success. Therefore, we use great diligence in ensuring that we comply with all statutory requirements (mostly exceeding the required standards) and in cooperating very closely with the responsible authorities. This cooperation enables us to stay very up to date with any possible changes in legal provisions. In addition, our two production locations and the German company are certified in accordance with ISO 14001:2004. This standard governs the environmental management system of duly certified companies.

The processes within the Group are also regularly inspected with the support of consulting companies.

TAX RISKS

The Turbon Group is exposed to tax risk in that some tax assessments and external audits lead to additional payments, or in that tax legislation results in disadvantageous changes.

BALANCE SHEET VALUATION RISKS

The Turbon Group may be subject to balance sheet valuation risks if certain assumptions for the current valuation of balance sheet items are not met due to events in the future.

OVERALL RISK

In summary, the requirements of the German Law on Control and Transparency in Enterprises (KonTraG) have been met fully. The instruments of risk management deployed are sufficient to detect risks threatening survival in sufficient time. No risks endangering the future of the company are discernible at the present time.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE (GROUP) ACCOUNTING PROCESS (REPORT IN ACCORDANCE WITH SECTIONS 289 (5), 315 (2) NO. 5 HGB)

To supplement the above statements on Turbon AG's management of risk, the material features of the internal control and risk management system regarding the (group) accounting process can be described as follows:

The accounting-related internal control system covers the Accounting and Controlling departments, whose areas of responsibility are assigned clearly within the control system.

The control system comprises all the principles, processes and measures that are necessary to secure effective, economical and proper accounting and compliance with the pertinent legal provisions. In addition to manual process controls by way of the "four-eyes-principle" (i.e. dual control), automated IT process controls are an essential part of integrated control measures.

The Executive Board is responsible for implementing and complying with the legal regulations. It reports regularly to the Supervisory Board on the overall financial position of Turbon AG. The Supervisory Board supervises the effectiveness of the internal control system. As agreed, the auditor reports to the Chairman of the Supervisory Board promptly on all significant findings and events, relevant to the tasks of the Supervisory Board, which have been identified during the audit of financial statements.

Turbon AG defines the accounting policies in order to regulate consistent accounting principles. In addition, group policies contain detailed instructions on how intra-group clearing transactions are to be recorded and settled and how relevant balances are to be reconciled.

The financial statements of consolidated companies are prepared using IT-aided workflows. These include, among other things, an authorization concept and testing routines.

Database-supported management information software is used for reporting to the group head office. Then, the separate financial statements are fed into a central consolidation system. At the group level, the Finance and Controlling department is responsible for reviewing the correctness and reliability of the separate financial statements presented.

The auditors are involved indirectly in the Turbon Group's control environment through their non-process-related audit activities. In this respect, the audits of separate and consolidated financial statements in particular constitute essential monitoring measures as regards the accounting process.

Report on Relations with Affiliated Companies

There is still dependence on the shareholder group HBT Holdings GmbH / Holger Brückmann-Turbon, in terms of § 312 German Stock Corporation Act (AktG). A combined voting rights share of 38.81% was notified most recently for this shareholder group.

Accordingly, the Executive Board prepared a report on relations with affiliated companies for fiscal 2010 regarding all relations of the company with this shareholder group, which was granted an unqualified audit opinion of BDO Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf.

At the end of the report, the Executive Board declares that the company received appropriate compensation for all legal transactions with the group of shareholders, in accordance with the facts known to the Executive Board at the date of these transactions, and that the company was not disadvantaged in this respect. No measures subject to reporting requirements were undertaken in the year under review.

Information required by Section 289 (4) and 315 (4) German Commercial Code (HGB)

On December 31, 2010, Turbon AG's subscribed capital of Euro 10,333 thousand was divided into 3,642,000 no par registered shares with voting rights. There were no differing classes of stocks. 347,097 shares were in the possession of Turbon AG.

The shareholders have no special rights conferring any particular powers of control.

Beside the above mentioned shareholder group HBT Holdings GmbH / Holger Brückmann-Turbon NCR GmbH, Augsburg holds more than 10% of the voting rights of the company's equity (28.83%).

The rules on the appointment and removal of Executive Board members of Turbon AG are taken from Sections 84 et seq. of the German Stock Corporation Act (AktG). The Articles of Association contain no further rules in this respect. The number of Executive Board members is determined by the Supervisory Board in accordance with Article 7 of the Articles of Association. The Supervisory Board may appoint an Executive Board member as chairperson or spokesperson for the Executive Board.

Alterations of the Articles are governed by Sections 133 and 179 AktG. The authority to change the wording of the Articles has been delegated to the Supervisory Board in accordance with Section 179 (1) sentence 2 AktG.

According to resolution of the General Meeting of Shareholders the Executive Board is authorized with consent of the Supervisory Board to buy back, sell or redeem shares of the Company.

There are no agreements with Turbon AG that are conditional on a change of control as a consequence of a takeover bid.

No indemnity agreements or similar have been made with employees or members of the Executive Board in the event of a takeover bid.

Corporate Governance Report

The Executive Board and Supervisory Board of Turbon AG comply with the principles of good and trusting corporate governance. In the following sections, the Executive Board - also acting on behalf of the Supervisory Board - provides its report on corporate governance pursuant to Section 289a Commercial Code (HGB) and pursuant to sub-section 3.10 of the German Corporate Governance Code.

DECLARATION BY THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF TURBON AG ON THE RECOMMENDATIONS OF THE "FEDERAL GERMAN GOVERNMENT COMMISSION ON THE GERMAN CORPORATE GOVERNANCE CODE" IN ACCORDANCE WITH § 161 STOCK CORPORATION ACT (AKTG)

The Management Board and Supervisory Board of Turbon AG hereby declare in accordance with § 161 Stock Corporation Act (AktG) that the recommendations - published in the electronic version of the German Federal Gazette on August 5, 2009 - have been complied with fundamentally. Only the recommendations given in Articles 3.8 Para. 2 and Para. 3, 5.4.6 Para. 1 and Para. 2 as well as 7.1.2 of the German Corporate Governance Code have not been applied.
Since July 2, 2010, the recommendations in the version of May 26, 2010 - published in the electronic version of the German Federal Gazette on July 2, 2010 - have been and are being complied with fundamentally. Only the recommendations in Articles 2.3.3, 3.8 Para. 3, 5.4.1 Para. 2, 5.4.6, Para. 1 and Para. 2 as well as 7.1.2 of the German Corporate Governance Code have not been applied or have been applied only in a modified form:

ARTICLE 2.3.3, SENTENCE 2

"The company shall also assist the shareholders in the use of postal votes and proxies."
The Company supports its shareholders by offering the right to vote by proxy. An additional option of postal votes does not exist and is not planned.

Reasons: A postal vote is not contained in the Articles of Association of Turbon AG. In our opinion, postal votes involve difficulties in determining the genuineness of votes cast.

ARTICLE 3.8 PARA. 3

"A similar deductible must be agreed upon in any D&O policy for the Supervisory Board."
No adjustment to the insurance contract regarding a corresponding deductible is planned for the Supervisory Board.

Reason: The existing sense of responsibility of the Management Board and the Supervisory Board will not be improved through the introduction of a deductible.

ARTICLE 5.4.1 PARA. 2

"The Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation."
There is no specification of concrete objectives regarding the composition of the Supervisory Board.

Reasons: The composition of the Supervisory Board is aligned exclusively to the interests of the Company within the sense of supporting the short-, medium- and long-term achievement of objectives. The objectives set forth in the German Corporate Governance Code shall be taken into account when possible and reasonable.

ARTICLE 5.4.6 PARA. 1 AND PARA. 2

"Compensation of the members of the Supervisory Board is specified by resolution of the General Meeting or in the Articles of Association. It takes into account the responsibilities and scope of tasks of the members of the Supervisory Board as well as the economic situation and performance of the enterprise. Also to be considered here shall be the exercising of the Chair and Deputy Chair positions in the Supervisory Board as well as the chair and membership in committees. Members of the Supervisory Board shall receive fixed as well as performance-related compensation. Performance-related compensation should also contain components based on the long-term performance of the enterprise."
Compensation of the Supervisory Board members was specified by the resolution of the General Meeting of July 5, 2001 and is stipulated by fixed amounts in § 18 of the Articles of Association. The Chair and the Deputy Chair have also been considered here. The Chair and membership in committees as well as performance-related compensation are not contained in the Articles of Association. No change in compensation of the Supervisory Board members is planned.

Reason: An appropriate fixed compensation for the activity as a Supervisory Board member and for the membership in committees makes sufficient allowance for the control function of the Supervisory Board. There is no need for additional performance-related compensation.

ARTICLE 7.1.2

"The Consolidated Financial Statements must be prepared by the Management Board and examined by the auditor and Supervisory Board. Half-year and any quarterly financial reports shall be discussed with the Management Board by the Supervisory Board or its Audit Committee prior to publication. In addition, the Financial Reporting Enforcement Panel and the Federal Financial Supervisory Authority are authorized to check that the Consolidated Financial Statements comply with the applicable accounting regulations (enforcement). The Consolidated Financial Statements shall be publicly accessible within 90 days of the end of the financial year; interim reports shall be publicly accessible within 45 days of the end of the reporting period."
On principle, we adhere to the recommendation. However, the consolidated financial statements and the interim reports are made publicly accessible within the legally defined periods of four months and two months, respectively.

Reason: The recommendation is difficult to follow in organizational terms so that only the legally defined periods are adhered to.

Hattingen, in November 2010
For the Executive Board:
Signed Aldo C. DeLuca (Spokesman of the Executive Board)
Signed Michael H. Pages
For the Supervisory Board:
Signed Hans-Joachim Scholten
(Chairman of the Supervisory Board)

FUNCTIONS AND COMPOSITION OF EXECUTIVE BOARD, SUPERVISORY BOARD AND THE COMMITTEES

The company has a dual-board management and monitoring structure with its Executive Board and Supervisory Board bodies.

The Executive and Supervisory Boards cooperate closely and trustfully in governing and monitoring the company.

As defined in the Articles of Association, Turbon AG's Executive Board consists of one or several members. The number of Executive Board members is specified by the Supervisory Board pursuant to the Articles, and the latter may appoint an Executive Board member as chairperson or spokesperson for the Executive Board.

At present, the Executive Board has two members; Mr DeLuca was appointed spokesman of the Executive Board.

It is the management body responsible for managing the business of the company on its own responsibility and in the sole interest of the company with the objective of sustainable added value.

The tasks of the Executive Board members are distributed in the context of a matrix organization, based partially on functional and partially on regional aspects.

The Executive Board defines the company's strategic direction, coordinates it with the Supervisory Board and ensures its implementation in the course of ordinary business.

In addition, the Executive Board is responsible for ensuring appropriate risk management and risk controlling within the enterprise as well for regular, up-to-date and comprehensive reporting to the Supervisory Board.

Certain transactions are subject to a reservation of consent on the part of the Supervisory Board. In addition, the Executive Board is obliged to notify the Supervisory Board promptly in specific cases.

In accordance with Section 96 (1) and Section 101 (1) of the German Stock Corporation Act (AktG) and with Section 1 (1), Section 4 (1) of the Act on One-Third Participation of Employees in the Supervisory Board (DrittelbG) in conjunction with Article 10 of Turbon AG's Articles of Association, the Supervisory Board consists of four members elected by the General Meeting and two members as employee representatives.

The Supervisory Board advises and supervises the Executive Board in issues concerning the management of the company.

The term of office for Supervisory Board members is five years. The ongoing term of office ends with the ordinary General Meeting 2011.

The Supervisory Board performs its tasks at regular meetings.

In addition, it has formed five committees for the effective and efficient fulfilment of its tasks. These are in detail:

- an Audit Committee
- a Personnel Committee
- a Finance and Investment Committee
- a Strategy Committee
- as well as a Legal and Tax Committee.

With regard to the new election of the Supervisory Board in June 2011, a Nomination Committee was formed in 2010.

The number of committees in addition to the Audit Committee and the Personnel Committee is derived from the Executive Board's catalogue of consent and information in relation to the Supervisory Board. In the interest of efficient cooperation between the Executive Board and Supervisory Board, the Executive Board thus has the opportunity of making direct contact with responsible persons and decision makers on the Supervisory Board between the meetings of the full Supervisory Board.

Each committee consists of two members. At the meetings of the full Supervisory Board, the chairpersons of the committees report on the committee's activities.

This structure ensures the ongoing and intensive dialogue between Executive Board and Supervisory Board as well as within the Supervisory Board.
The shareholders can safeguard their rights and exercise their voting rights at the General Meeting. Each share has a right to one vote.

Each shareholder who registers in time is entitled to take part in the General Meeting.

Shareholders who are not able to attend personally may have their voting right exercised by a credit institution, a shareholder association or the proxies who are deployed by Turbon AG and bound by the shareholder's instructions or by another authorized representative designated by them.

The invitation to the General Meeting and all reports and information necessary for adopting resolutions are published in accordance with the provisions of the stock corporation law and made available on Turbon AG's website.

COMPENSATION REPORT

Compensation paid to the Executive Board members includes fixed and variable elements.

Executive Board members receive an annual fixed basic salary as fixed compensation. In addition, they receive contributions towards social insurance, a car allowance or a company car with a right of private use as well as contributions to accident insurance to the customary extent.

Executive Board members have unchanged a chance to earn an annual bonus on group earnings and cash flow as variable compensation. Payment of an annual bonus requires that a defined earnings amount has been exceeded in the fiscal year. Net income exceeding the defined amount of earnings is then updated by the change in inventories and change in trade receivables in order to determine the second criterion, the cash flow. The annual bonus is calculated by multiplying the generated net income by a specific percentage for each Executive Board member. The two specific percentages are reduced step by step if the cash flow is lower than earned net income. No annual bonus is paid if no minimum earnings amount or no positive cash flow is achieved.

Through the strict definition of the aforementioned variable compensation, determined on a one-year assessment basis, a sustainable development was already implemented for the Turbon Group. Due to the revised German Stock Corporation Act (Aktiengesetz), a bonus for sustainable management which involves a multi year assessment period, was additionally introduced at the beginning of fiscal year 2011. The Executive Board shall account for the overall goal of ensuring the company's substance and, beyond that, increasing the company's wealth. In addition to the desired overall improvement of the Group's market position (through profitable growth), various quantifiable financial success factors („milestones") were defined, whereby their achievement enables the identification of a measurable increase in wealth for the company and/or the shareholders. In order to reach these „milestones" it is required to achieve consistent earnings targets and strict discipline in asset management. For the first four-year assessment period (2011 - 2014), the result from ordinary operations in the group and the dividend became goals to be reached every year, and the generation of liquid funds by successful asset management was determined as a goal to be reached over the entire period. If these bonus criteria are achieved, each of the two board members will be paid a bonus of Euro 100,000 in the year following the assessment period. If a bonus criterion is not fulfilled, the assessment period ends. At the beginning of the next financial year, a new measurement period commences, which may be based on modified measurement criteria that are then more suitable.

Total compensation of the two Executive Board members of Euro 501 thousand (previous year: Euro 548 thousand) is divided as follows in the year under review:

	Basic Salary 1,000 Euro		Benefits in kind 1,000 Euro		Bonus 1,000 Euro		Total 1,000 Euro	
	2010	2009	2010	2009	2010	2009	2010	2009
Aldo C. DeLuca	227	215	9	9	54	93	290	317
Michael Pages	150	150	34	34	27	47	211	231

The change in the basic salary of Mr DeLuca depends on the exchange rate as the basic salary is paid in US Dollars.

Should the activity as an Executive Board member end early without an important cause, severance payments, if any, will not exceed the value of two years' compensation and compensate no more than the remaining term of the employment contract.

No indemnity agreements have been made with members of the Executive Board in the event of a takeover bid.

Compensation of the Supervisory Board is governed by Article 18 of the Articles of Association. The members of the Supervisory Board receive annual compensation of Euro 6,136 in addition to reimbursement of expenses, including value added tax. The chairperson receives twice, and the deputy chairperson one and a half times this amount. The company takes out adequate business liability insurance (directors and officers insurance) for the members of the Supervisory board. Relevant insurance premiums are paid by the company.

Total compensation of the Supervisory Board of Euro 116 thousand (previous year: Euro 136 thousand) is divided as follows in the year under review:

	Fixed compensation 1,000 Euro		Consulting services 1,000 Euro		Total 1,000 Euro	
	2010	2009	2010	2009	2010	2009
Hans-Joachim Scholten	12	12	29	32	41	44
Dr. Paul-Michael Günther	9	9	42	58	51	67
Thomas Hertrich	6	6	0	0	6	6
Dr. Juno A. Nuber	0	1	0	0	0	1
Simon McCouaig	6	6	0	0	6	6
Girolamo Cacciatore	6	6	0	0	6	6
Dietmar Kirsch	6	6	0	0	6	6

Turbon AG paid a pro-rated amount of Euro 7 thousand (previous year: Euro 7 thousand) in the context of a group liability insurance contract.

In fiscal year 2010, Turbon AG was made aware of reportable trading of Turbon AG shares or of financial instruments relating thereto transacted by board members (Directors' Dealings). On November 18, 2010, Mr. Scholten, Chairman of the Supervisory Board, purchased 1,500 shares at a share price of Euro 6.45 per share.

No other reportable purchases and sales transactions in fiscal year 2010 are known by Turbon AG.

Events after the balance sheet date

There are no events subject to mandatory inclusion in this report.

Outlook

In Europe we are continuing along the path of growth. Existing supply agreements with several larger customers for the full year 2011 give us relative certainty in planning and confidence in achieving objectives.

We expect a significant increase in sales in 2011 at our company in the USA. We have gained new customers and are also making further sales with existing customers. At the same time, we are just about to complete the merger of our US activities at the location in York, PA. Substantial savings are made due to this restructuring, especially from rental and personnel costs, so we are planning for a general return to profit in the USA in 2011.

Based on this outlook, we are planning consolidated sales of Euro 84 million for 2011, which should then lead to a consolidated profit before taxes of at least Euro 5 million.

In achieving these goals using the prescriptions described, we should be able to increase our numbers in sales and profit in subsequent years, while avoiding risks which cannot be calculated or which are difficult to calculate, and thus the maintenance of the company's substance will continue to be the general concept. The global economic development of recent years reconfirms how correct and important this approach continues to be.

PROVIDENT INFORMATION

This report contains certain statements oriented to the future which are based on the current assumptions and projections of the management. Various risks, uncertainties and other factors, both known and unknown, can cause the actual results, financial position, development or performance of the company to deviate substantially from the assessment shown here.

Hattingen, March 2011
The Executive Board

Supervisory Board Report for the 2010 Fiscal Year

The Supervisory Board advised the Executive Board with respect to fundamental issues of business policy and monitored continuously the management of business in accordance with the tasks assigned pursuant to the legal provisions, articles of association and rules of procedure and in compliance with the recommendations of the German Corporate Governance Code. The Executive Board informed the Supervisory Board at regular intervals of the business and financial position of the company and coordinated all important decisions and measures with the latter.

SUPERVISORY BOARD MEETINGS AND ACTIVITIES OF COMMITTEES

The Supervisory board convened a total of seven times in fiscal year 2010. All members took part in these meetings, with the exception of one, where a member of the Supervisory Board was absent and sent his apologies.

In the meetings, we discussed in detail the reports of the Executive Board, particularly the published interim reports, and we also discussed the development of the company and strategic issues together with the Executive Board. In addition, specific topics of particular importance were addressed in the Supervisory Board meetings.

The Executive Board contract with Mr. DeLuca was extended until 2013, with no changes to the fixed salary and continuation of the existing bonus scheme on an annual assessment basis. Both follow the revised statutory requirements and the recommendations of the German Corporate Governance Code, by introducing a bonus for sustainable management when extending the contract (see the compensation report on page 14 of the Annual Report). The bonus for sustainable management was also agreed on with Mr. Pages.

The Supervisory Board approved the actions of the Executive Board regarding the Turbon Group's US business, as described in the Interim Report of September 30, 2010. In addition, the planning of the business in the US was discussed in detail.

The Supervisory Board approved the proposal of the Executive Board, a dividend of Carbotex Company Ltd. to be paid out to Carbotex Beteiligungs GmbH, as well as the conclusion of a profit transfer agreement between Turbon AG and Carbotex Beteiligungs GmbH.

The use of available cash at the Turbon Group was discussed, as was done last year. The Supervisory Board agreed to the use of the Executive Board's authorisation to buy back own shares by means of a public share buyback offer in May and November 2010.

The audit committee convened for three and the nomination committee convened for two meetings in the period under review.

Not only the audit committee but the full Supervisory Board dealt with issues of risk management. Risks threatening the company's survival are not discernable. The risk management system of the Turbon Group meets the legal requirements.

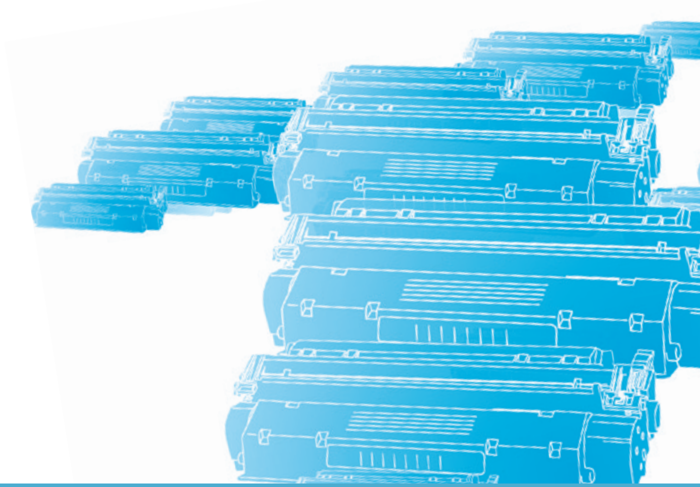
CORPORATE GOVERNANCE

The statement of the Executive Board and the Supervisory Board on the recommendations of the Government Commission „German Corporate Governance Code" according to § 161 AktG was issued in November 2010. The wording of the current statement is reproduced in the full Corporate Governance Report on page 12 of the Annual Report. It was also published on the company's web site.

ANNUAL FINANCIAL STATEMENTS OF THE AG AND THE GROUP, AUDIT OF FINANCIAL STATEMENTS

The annual financial statements of Turbon AG and the combined management report and group management report were prepared in accordance with the provisions of the German Commercial Code (HGB), and the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS).

The auditors of the financial statements, BDO AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, appointed by the general meeting, audited the annual financial statements



of Turbon AG, the combined management report and group management report and the consolidated financial statements in compliance with the generally accepted German standards for the audit of financial statements as adopted by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW) and granted an unqualified audit opinion.

The annual financial statements, the combined management report and group management report, the auditor's reports and the proposal for the appropriation of retained earnings of Turbon AG were made available to all Supervisory Board members in due time. These documents were examined by the Supervisory Board. Our examination also covered the completeness and content of the disclosures prescribed by Section 315 (4) Commercial Code (HGB). At the Supervisory Board's meeting, convened to adopt the accounts, on April 20, 2011, we discussed in detail the financial statement documents in the presence of the auditor, who reported on the significant findings of his audit. After the final outcome of the examination made by the audit committee and the audit by the Supervisory Board, the latter agreed to the results obtained by the auditor and raised no objections. The Supervisory Board approved the annual financial statements and the consolidated financial statements. The financial statements are thereby adopted. We discussed and consented to the proposal of the Executive Board for the appropriation of profits.

At this meeting, the Supervisory Board accepted the recommendation of the audit committee for the election of the auditor for fiscal 2011, who had issued a declaration regarding his independence in accordance with the Corporate Governance Code, and the costs of the audit of financial statements were addressed.

The Executive Board prepared a report on relations with affiliated companies for the 2010 financial year. This report was audited by the auditor and granted an unqualified audit opinion. The Supervisory Board examined the report on relations with affiliated companies. In addition, it heard the report of the auditor about his results of the audit. The Supervisory Board agrees to the results of the audit obtained by the auditor. Following its examination, the Supervisory Board also raises no objections to the declaration of the Executive Board.

Hattingen, April 20, 2011

For the Supervisory Board

Hans-Joachim Scholten
The Chairman

Consolidated Balance Sheet - Turbon Group

as of December 31, 2010

ASSETS

	Notes	Dec. 31, 2010 1,000 Euro	Dec. 31, 2009 1,000 Euro
Long-term assets			
Intangible assets	(1)	1,020	1,014
Tangible assets	(1)	15,510	15,493
Financial assets	(1)	24	24
		16,554	16,531
Other assets	(4)	1,811	1,368
Income tax assets	(5)	214	245
Deferred tax assets		1,823	2,784
		20,402	**20,928**
Short-term assets			
Inventories	(2)		
Raw materials and supplies		6,460	6,221
Work in progress		40	14
Finished goods and trading stocks		8,769	8,318
Advance payments		76	61
		15,345	**14,614**
Trade receivables	(3)	9,929	8,017
Other assets	(4)	1,840	1,518
Income tax assets	(5)	323	322
Cash and cash equivalents	(6)	10,320	9,947
		37,757	**34,418**
Assets held for sale	(7)	0	1,010
		58,159	**56,356**

SHAREHOLDERS‘ EQUITY AND LIABILITIES

	Notes	Dec. 31, 2010 1,000 Euro	Dec. 31, 2009 1,000 Euro
Shareholders‘ Equity	**(8)**		
Subscribed capital		10,333	10,333
Capital reserves		14,956	14,956
Revenue reserves		3,554	1,877
Retained earnings		4,100	3,300
Accumulated other comprehensive income		-7,031	-6,684
Treasury stock		-2,125	-487
Minority interests		-6	-5
		23,781	**23,290**
Long-term liabilities			
Pension reserves	(9)	2,857	2,910
Deferred tax liabilities	(10)	1,317	2,090
Fixed interest bond		9,929	9,897
		14,103	**14,897**
Short-term liabilities			
Accrued taxes	(10)	1,116	781
Other reserves and accrued liabilities	(10)	6,133	5,695
Trade payables		11,702	10,759
Liabilities due to other group companies		12	12
Other liabilities	(11)	1,312	922
		20,275	**18,169**
		58,159	**56,356**

Consolidated Statement of Income - Turbon Group

for the period from January 01 until December 31, 2010

	Notes	2010 1,000 Euro	Previous Year 1,000 Euro
Sales	(12)	75,717	85,882
Cost of sales	(19)	-59,966	-68,330
Gross profit		**15,751**	**17,552**
Selling expenses	(13)	-5,762	-5,389
Administrative expenses	(14)	-5,937	-6,087
Other operating income	(15)	2,192	1,760
Other operating expenses	(16)	-1,397	-1,082
Earnings before interest and tax		**4,847**	**6,754**
Financial income		27	188
Financial expense		-1,015	-1,106
Financial result		-988	-918
Result from ordinary operations		**3,859**	**5,836**
Taxes on income	(17)	-1,696	-2,373
Result after income taxes		**2,163**	**3,463**
Result attributable to		**2,163**	**3,463**
• Shareholder of Turbon AG (Group net income for the year)		2,164	3,463
• Minority interests		-1	0
Undiluted earnings per share (in Euro)	**(18)**	**0.62**	**0.96**
Diluted earnings per share (in Euro)	**(18)**	**0.62**	**0.95**

Consolidated Statements of Comprehensive Income - Turbon Group

as of December 31, 2010

	Notes	2010 1,000 Euro	Previous Year 1,000 Euro
Result after income taxes		**2,163**	**3,463**
Change in pension reserves	(9)	12	-890
Result from currency hedges		258	441
Exchange rate differences		-530	-730
Change in deferred taxes		-87	-93
Other changes		39	-51
Income and expenses directly offset against shareholders' equity		**-308**	**-1,323**
Comprehensive income		**1,855**	**2,140**
Comprehensive income attributable to		**1,855**	**2,140**
• Shareholder of Turbon AG		1,856	2,140
• Minority interests		-1	0

Consolidated Statement of Changes in Shareholders' Equity - Turbon Group

as of December 31, 2010

	Subscribed capital 1,000 EURO	Capital reserves 1,000 EURO	Revenue reserves 1,000 EURO
At December 31, 2008	**10,333**	**14,956**	**2,470**
2008 dividends (0.25 € per share)			
Comprehensive income			-51
Redemption of own shares			-1,029
Purchase of own shares			487
Other changes			
At December 31, 2009	**10,333**	**14,956**	**1,877**
2009 dividends (0.40 € per share)			
Comprehensive income			39
Purchase of own shares			1,638
At December 31, 2010	**10,333**	**14,956**	**3,554**

Retained earnings 1,000 Euro	Accumulated other comprehensive income 1,000 Euro	Treasury stock 1,000 Euro	Turbon shareholders 1,000 Euro	Minority interests 1,000 Euro	Equity 1,000 Euro
742	**-5,412**	**-1,029**	**22,060**	**0**	**22,060**
-905			-905		-905
3,463	-1,272		2,140		2,140
		1,029			
		-487			
				-5	-5
3,300	**-6,684**	**-487**	**23,295**	**-5**	**23,290**
-1,364			-1,364		-1,364
2,164	-347		1,856	-1	1,855
		-1,638			
4,100	**-7,031**	**-2,125**	**23.787**	**-6**	**23,781**

Consolidated Cash Flow Statement - Turbon Group

for the period from January 01 until December 31, 2010

	2010 1,000 Euro	Previous Year 1,000 Euro
Group net income for the year	2,164	3,463
Depreciation of fixed assets	1,234	1,715
Write-up of fixed assets	0	-42
Change in pension reserves	-53	477
Other non-cash expenses and income	95	-140
Cash flow	**3,440**	**5,473**
Result on disposals of fixed assets	-38	-16
Change in inventories	-731	3,748
Change in trade receivables	-2,007	-422
Change in other assets	1,236	1,488
Change in short-term provisions	773	1,135
Change in trade payables	943	745
Change in other liabilities	-351	-505
Non cash-effects	138	-575
Cash flow from operating activities	**3,403**	**11,071**
Purchase of intangible assets	-20	-45
Purchase of tangible assets	-500	-490
Changes in scope of consolidation	0	-3,959
Proceeds from disposals of fixed assets	138	430
Cash flow from investing activities	**-382**	**-4,064**
Dividend payment	-1,364	-905
Redemption of own shares	-1,638	-487
Cash flow from financing activities	**-3,002**	**-1,392**
Change in cash funds from cash relevant transactions	19	5,615
Exchange rate related change in cash funds	354	-247
Cash funds at the beginning of the period	9,947	4,579
Cash funds at the end of the period	**10,320**	**9,947**
Cash flow from operating activities includes:		
Interest receipt	16	236
Interest payment	-748	-754
Income tax receipt	20	0
Income tax payment	-942	-607

Notes to the Consolidated Financial Statements of the Turbon Group

General information

The companies of the Turbon Group develop, produce and distribute compatible printing accessories. Turbon operates production plants in Asia and Europe.

Turbon AG, as the group holding company, is registered with the commercial register of the Essen Local Court (Amtsgericht) under HRB 15780. The seat of the company is in Hattingen. The address is Turbon AG, Ruhrdeich 10, 45525 Hattingen, Germany.

The Executive Board prepared the consolidated financial statements and group management reports as of December 31, 2010 on March 31, 2011 and approved their submission to the Supervisory Board. The consolidated financial statements and group management reports will be submitted to the Supervisory Board for approval at its meeting on April 20, 2011.

The consolidated financial statements are prepared in Euros. Unless otherwise indicated, all amounts are stated in thousand Euros. Assets and liabilities are divided into current and non current assets and liabilities according to their maturities. The consolidated statement of income is prepared in accordance with the cost of sales accounting format.

The fiscal year of Turbon AG and its consolidated subsidiaries corresponds always to the calendar year.

The accounting and valuation principles applied in Turbon AG's consolidated financial statements as of December 31, 2009 have been retained, except for any adjustments necessary due to new or revised standards.

Principles of Accounting

The consolidated financial statements of Turbon AG and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) as recognized by the European Union, the application of which standards on the balance sheet date is mandatory, and additionally in accordance with the provisions to be observed of § 315a (1) German Commercial Code (HGB).

The IFRS include those issued by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS), and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). All standards and interpretations that were mandatorily applicable on the balance sheet date were applied. As a result, the consolidated financial statements of Turbon AG conform to IFRS. We have waived the use of standards whose application is not yet mandatory.

The consolidated financial statements comprise the balance sheet, statement of income, statement of comprehensive income, statement of changes in Shareholders' Equity, the cash flow statement and the notes.

Changes in accounting and valuation methods

The following overview presents new or changed standards and interpretations whose application in the current fiscal year is mandatory:

Standard/Interpretation		Impact
Divers	Improvement project (April 2009)	none
IAS 27	Consolidated and Separate Financial Statements	none
IAS 39	Financial Instruments: Recognition and Measurement Eligible Hedged Items	none
IAS 39	Reclassification of Financial Assets: Effective Date and Transition	none
IFRS 1	First time adoption of IFRS	none
IFRS 1	Additional Exemptions for First-time Adopters	none
IFRS 2	Group Cash-settled Share-based Payment Transaction	none
IFRS 3	Business Combinations	none
IFRS 5	Improvements (May 2008)	none
IFRIC 12	Service Concession Arrangements	none
IFRIC 15	Agreements for the Construction of Real Estate	none
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	none
IFRIC 17	Distributions of Non-Cash Assets to Owners	none
IFRIC 18	Transfers of Assets from Customers	none

New Accounting standards

The following overview presents the standards and interpretations issued in the current fiscal year, but whose application is not yet mandatory, since they have not yet been adopted by the EU or are not yet to be applied.

Standard/Interpretation	
Divers	Improvement project (May 2010)
IAS 12	Deferred Tax: Recovery of Underlying Assets
IAS 24	Related Party Disclosures
IAS 32	Classification of Right Issues
IFRS 1	Limited Exemption from Comparative IFRS 7 - Disclosures for First-time Adopters
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
IFRS 7	Financial Instruments: Disclosures
IFRS 9	Financial Instruments
IFRIC 14	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

From today's perspective, application of these standards in the future will not result in material changes for the Turbon Group.

Consolidated companies

In addition to Turbon AG, the consolidated financial statements include three domestic and seven foreign companies, in which Turbon AG directly or indirectly holds the majority of voting rights or exercises unified management. The number of included companies remained unchanged to previous year.

Accutecc (UK) Ltd., Keymax International Ltd., all of Great Britain and Kores Nordic Danmark A/S, Denmark, which were already being wound up last year, were liquidated during the year under review, as was Tonerfill B.V., Netherlands. These subsidiaries were already not included in the consolidated financial statements of the previous year. Whether subsidiaries are included in the consolidated financial statements or not is shown in the list of shareholdings.

Interests in the limited partnership BIL Leasing Verwaltungs-GmbH & Co. Objekt Hattingen KG (sale and lease back property) are not included in the consolidated financial statements of Turbon AG, because, under IAS 27 in conjunction with SIC (Standing Interpretations Committee) 12, there is no parent-subsidiary relationship between Turbon AG and this limited partnership nor are the majority of opportunities and risks associated with the leasing agreement with this partnership attributable to Turbon AG. Since this leasing agreement is to be classified as an operating lease according to IAS 17, the leased property is not included in the consolidated balance sheet under this accounting standard either.

The consolidated domestic subsidiary Turbon International GmbH satisfies the requirements of § 264 (3) Commercial Code (HGB) and is, therefore, exempted from the duty to publish its own annual financial statements and management report for the fiscal year 2010.

Methods of consolidation

The consolidated financial statements are based on the annual financial statements of Turbon AG and the consolidated subsidiaries prepared according to accounting and valuation principles applied uniformly throughout the group. Carrying values based on tax regulations are not included in the consolidated financial statements. The annual financial statements of the affiliated companies are prepared on the closing date of the consolidated financial statements.

Capital consolidation is based on the acquisition method by setting off the costs of acquisition against the pro rata share of revaluated equity at the time of acquiring the individual companies. Positive balancing items which cannot be assigned to undisclosed reserves or undisclosed expenses are shown as goodwill. Negative goodwill arising on consolidation is recognized directly as affecting income.

Accounts receivable and accounts payable between the consolidated companies are eliminated.

Intercompany expenses and incomes are eliminated.

Intermediate results in inventories arising from intercompany supplies and services and in fixed assets are eliminated.

Accruals for deferred taxes were made on consolidation processes affecting net income.

Currency translation

Non-monetary items in foreign currency are valued on the balance sheet date at the rate in application on the date of the first entry in the annual financial statements of the companies. Monetary items are translated at the rate on the balance sheet date. Currency gains and losses resulting from the valuation of monetary balance sheet items in foreign currency are recognized as income or expenses in other operating income or expenses.

The assets and liabilities of all financial statements of subsidiaries prepared in foreign currencies are translated into Euros in the consolidated financial statements at the average daily rate on the balance sheet date. The consolidated statement of income uses average rates. Differences resulting from the currency translation are netted against retained earnings or allocated to the same without affecting income.

The exchange rates of the currencies have changed as follows:

	Rate on effective date		Average rate	
1 EUR =	Dec. 31,2010	Dec. 31,2009	2010	2009
USD	1.3362	1.4400	1.3249	1.3934
GBP	0.8607	0.8890	0.8558	0.8912
THB	40.1768	47.9750	42.2514	48.0771
DKK	7.4532	7.4418	7.4467	7.4461
RON	4.2620	4.2512	4.2209	4.2494

Accounting and valuation methods

Intangible assets, acquired for remuneration are capitalized at cost and, if subject to wear and tear, written off on a straight line basis over their useful lives of primarily 3 to 5 years. Intangible assets with indefinite useful life are subjected to an annual impairment test in accordance with IAS 38.108.

Movable items of property, plant and equipment are valued at amortized cost. Maintenance and repair expenses and interest on borrowed capital are recognized as current expenses.

Property, plant and equipment are depreciated on a straight line basis over the forecast useful life.

Scheduled depreciation is based on useful lives defined uniformly throughout the group:

Buildings	20 to 50 years
Land improvements	3 to 10 years
Technical plant and machinery	3 to 10 years
Other equipment, fixtures, fittings and equipment	3 to 20 years

Property held as financial investment is carried at amortized cost.

The shares in non-consolidated subsidiaries shown in the financial assets are assigned to the category "Available for sale".

Financial instruments are based on contracts which give rise to a financial asset of one enterprise and a financial liability or equity instrument of the other enterprise. They are accounted for at the time of the usual purchase or sale on the date of performance, i.e. the date on which the asset is delivered. IAS 39 subdivides financial assets into the following categories:

- Financial instruments held at fair value through profit and loss,
- Held to maturity financial investments,
- Loans and receivables,
- Available for sale financial assets.

Financial instruments are carried at amortized cost or fair value. Financial instruments are always disposed of by payment or – in the event of customer receivables – by sale.

Inventories are assets intended for sale: finished goods and goods for resale, semi finished goods still in the process of manufacturing or raw materials and consumables used to manufacture the products.

Inventories are valued at the lower of cost or net realizable value. Manufacturing costs correspond to the production related full costs and are determined on the basis of normal capacity. As well as directly assignable costs, they include reasonable portions of necessary material and manufacturing overheads including manufacturing related write offs. Borrowing costs are not capitalized as part of manufacturing costs.

If there are lower net realizable values on the balance sheet closing date, these are used. If the net realizable value of formerly devalued inventories has risen, the resulting write up is shown as a reduction in material expenses and therefore as cost of sales.

Trade receivables and other assets except for derivative financial instruments are carried at amortized cost. Necessary valuation allowances are guided by the actual credit risk. The carrying amounts for receivables are always adjusted using a valuation account.

Cash and cash equivalents include cash in hand and cash in banks payable.

Deferred tax assets on deductible temporary differences and tax benefits on loss carry forwards are capitalized if it is likely that a tax benefit be available for the same in the future and it is sufficiently certain that the loss carry forward can actually be used. Deferred tax liabilities are allocated for temporary differences still to be taxed in the future. The calculation is subject to the tax rates expected to apply in the individual countries at the time of realization. These are always based on the statutory rules in force or enacted on the balance sheet date. Deferred tax assets and liabilities are netted if these exist against the same tax authority. Changes in deferred tax assets and liabilities resulting from changes in tax rates are recognized in income. If profit and loss are recognized directly in equity, this also applies to the deferred tax assets and liabilities. The assessment of whether deferred tax assets resulting from temporary differences or loss carry forwards can be utilized in the future is the subject of forecasts by the individual consolidated companies, utilizing their future earnings forecast. The period utilized for this forecast is 5 years following the current fiscal year.

Pension obligations are based on pension commitments to benefits for old age, invalidity and surviving dependants. When determining the amount of provisions, not only the pensions and expectancy rights acquired on the effective date are recognized, but also anticipated future increases in wages and salaries and pensions. Expenses associated with length of service are a component of personnel expenses, interest portions of allocations are recognized in the net interest result.

Actuarial gains and losses are allocated to earnings reserves outside the statement of income. Provisions for pensions in the balance sheet correspond to the defined benefit obligation on the balance sheet date.

In accordance with IAS 37 “Provisions, contingent liabilities and contingent assets”, other provisions are allocated if a current (legal or de facto) obligation towards a third party arises from a past event, this obligation is likely to lead to an outflow of resources in future and it can be reliably estimated.

Liabilities are carried at amortized cost in the balance sheet.

Sales are entered when the service has been provided or the assets have been delivered and, therefore, the risk has passed to third parties.

Expenses on research and development are recognized as expenses.

Other operating expenses and income are allocated to the total operating result on an accrual basis.

Interest is recognized according to the effective interest method on an accrual basis.

Use of estimates

The preparation of the consolidated financial statements according to IFRS requires estimates and assumptions that affect the disclosure of assets and liabilities, the indication of contingent liabilities on the balance sheet date and the disclosure of income and expenses. The actual values may differ in individual cases from the assumptions and estimates made.

The assumptions and estimates refer primarily to the definition of useful lives uniformly for the whole group, the saleability of our products, the accounting and valuation of provisions and the possibility of realizing future tax benefits.

The risks inherent in our assets are limited to their carrying amounts.

Capital risk management

The Turbon Group controls its financial capital with the goal of maximizing the income of each company member by optimizing the debt-equity ratio. This also serves in reducing the costs of capital procurement. This ensures that all consolidated companies can operate under the principle of a going concern.

In order to preserve or optimize the capital structure, it is incumbent upon the Group to initiate the amount of dividend payments, make repayments of capital to shareholders, issue new shares or sell assets for the purpose of reducing debt.

Explanations to the Consolidated Balance Sheet

(1) Non-current assets

DEVELOPMENT IN THE PERIOD FROM JANUARY 01 UNTIL DECEMBER 31, 2009

	At cost					
	Balance Jan. 01, 2009 1,000 EURO	Changes in scope of consolidation 1,000 EURO	Additions 1,000 EURO	Transfers 1,000 EURO	Disposals 1,000 EURO	Differences from currency conversion 1,000 EURO
Intangible assets						
Concessions, industrial-property and similar rights and assets as well as licenses thereto	4,977	-1,800	45	8	-75	1
	4,977	**-1,800**	**45**	**8**	**-75**	**1**
Tangible assets						
Land, equivalents titles and buildings (including on leased land)	9,821	0	23	-3,515	-47	400
Investment Property	0	8,157	0	3,505	0	0
Production, plant and machinery	17,011	0	69	66	-3,266	127
Other plant, factory and office equipment	28,648	0	171	-52	-16,876	35
Advance payments and construction in progress	32	0	227	-12	-32	-1
	55,512	**8,157**	**490**	**-8**	**-20,221**	**561**
Financial assets						
Participations	49	0	0	0	-25	0
Loans due from other group companies	236	0	0	0	-236	0
Other loans	229	0	0	0	0	0
	514	**0**	**0**	**0**	**-261**	**0**
	61,003	**6,357**	**535**	**0**	**-20,557**	**562**

	Accumulated depreciation								Book values	
Balance Dec. 31, 2009 1,000 Euro	Balance Jan. 01, 2009 1,000 Euro	Changes in scope of conso-lidation 1,000 Euro	Depre-ciation during financial year 1,000 Euro	Write-ups during financial year 1,000 Euro	Transfers 1,000 Euro	Disposals 1,000 Euro	Differen-ces from currency conversion 1,000 Euro	Balance Dec. 31, 2009 1,000 Euro	Balance Dec. 31, 2009 1,000 Euro	Balance Previous year 1,000 Euro
3,156	1,843	0	281	0	0	0	18	2,142	1,014	3,134
3,156	**1,843**	**0**	**281**	**0**	**0**	**0**	**18**	**2,142**	**1,014**	**3,134**
6,682	2,039	0	428	0	-741	-19	411	2.118	4.564	7.782
11,662	0	2,227	0	0	730	0	0	2,957	8,705	0
14,007	15,674	0	366	0	80	-3,247	127	13,000	1,007	1,337
11,926	27,203	0	640	0	-69	-16,877	26	10,923	1,003	1,445
214	0	0	0	0	0	0	0	0	214	32
44,491	**44,916**	**2,227**	**1,434**	**0**	**0**	**-20,143**	**564**	**28,998**	**15,493**	**10,596**
24	0	0	0	0	0	0	0	0	24	49
0	42	0	0	-42	0	0	0	0	0	194
229	229	0	0	0	0	0	0	229	0	0
253	**271**	**0**	**0**	**-42**	**0**	**0**	**0**	**229**	**24**	**243**
47,900	**47,030**	**2,227**	**1,715**	**-42**	**0**	**-20,143**	**582**	**31,369**	**16,531**	**13,973**

DEVELOPMENT IN THE PERIOD FROM JANUARY 01 UNTIL DECEMBER 31, 2010

	At cost			
	Balance Jan. 01, 2010 1,000 Euro	Additions 1,000 Euro	Transfers 1,000 Euro	Disposals 1,000 Euro
Intangible assets				
Concessions, industrial-property and similar rights and assets as well as licenses thereto	3,156	20	0	-71
	3,156	**20**	**0**	**-71**
Tangible assets				
Land, equivalents titles and buildings (including on leased land)	6,682	109	209	-387
Investment Property	11,662	0	0	0
Production, plant and machinery	14,007	139	10	-205
Other plant, factory and office equipment	11,926	195	0	-260
Advance payments and construction in progress	214	57	-219	0
	44,491	**500**	**0**	**-852**
Financial assets				
Participations	24	0	0	0
Other loans	229	0	0	0
	253	**0**	**0**	**0**
	47,900	**520**	**0**	**-923**

Property held as a financial investment is carried at amortized cost. The market value of this property, as determined in a report at the time of initial consolidation on December 31, 2009, is Euro 10.7 million. In the last fiscal year, rental income from this investment was Euro 788 thousand (previous year: Euro 760 thousand).

		Accumulated depreciation					Book values	
Differences from currency conversion 1,000 Euro	Balance Dec. 31, 2010 1,000 Euro	Balance Jan. 01, 2010 1,000 Euro	Depreciation during financial year 1,000 Euro	Disposals 1,000 Euro	Differences from currency conversion 1,000 Euro	Balance Dec. 31, 2010 1,000 Euro	Balance Dec. 31, 2010 1,000 Euro	Balance Previous year 1,000 Euro
116	3,221	2,142	0	0	59	2,201	1,020	1,014
116	**3,221**	**2,142**	**0**	**0**	**59**	**2,201**	**1,020**	**1,014**
599	7,212	2,118	211	-387	128	2,062	5,150	4,564
0	11,662	2,957	258	0	0	3,215	8,447	8,705
590	14,541	13,000	414	-185	392	13,629	912	1,007
531	12,392	10,923	351	-251	421	11,444	948	1,003
1	53	0	0	0	0	0	53	214
1,721	**45,860**	**28,998**	**1,234**	**-823**	**941**	**30,350**	**15,510**	**15,493**
0	24	0	0	0	0	0	24	24
0	229	229	0	0	0	229	0	0
0	**253**	**229**	**0**	**0**	**0**	**229**	**24**	**24**
1,837	**49,334**	**31,369**	**1,234**	**-823**	**1,000**	**32,780**	**16,554**	**16,531**

Intangible assets include a trademark right with indefinite useful life at a carrying value of Euro 460 thousand. Although trademark rights are awarded for a defined period of time, they are often extended at a negligible cost.

The impairment test carried out by comparing the utility value of future license fees with the book value with a discount rate of 9% showed no need for write-downs.

(2) INVENTORIES

	Dec. 31, 2010 1,000 Euro	Dec. 31, 2009 1,000 Euro
Raw materials and supplies	6,460	6,221
Work in progress	40	14
Finished goods and trading stocks	8,769	8,318
Advance payments	76	61
	15,345	**14,614**

Write-downs on inventories in the amount of Euro 224 thousand (previous year: Euro 997 thousand) were made in the fiscal year ended.

(3) TRADE RECEIVABLES

Trade receivables shown for Turbon International GmbH, the German subsidiary, in the amount of Euro 3,372 thousand (previous year: Euro 3,626 thousand) have been financed under a factoring agreement.

(4) OTHER ASSETS

Composition of other assets:

	Dec. 31, 2010 1,000 Euro	Dec. 31, 2009 1,000 Euro
Claims arising from other taxes	666	457
Deferred charges and prepaid expenses	2,016	1,800
Derivative hedges	83	441
Net assets from settled foreign exchange contracts	700	0
Other assets	186	188
	3,651	**2,886**

The above given position "Deferred charges and prepaid expenses" include the cost for the renovation of parts of the Meerbusch real property of 2009 in connection with the long-term renewal of the tenancy (Euro 0.5 million, retransfer over the term of the new tenancy agreement) as well as for a special rental payment (Euro 1.1 million) for BIL Hattingen KG in the context of the prolonged financing for this object (which will be settled over the remaining term of the tenancy agreement to June 2019). Of the other assets, an amount of Euro 1,811 thousand (previous year: Euro 1,368 thousand) has a term to maturity of more than 12 months.

(5) INCOME-TAX CLAIMS

Income tax claims result mainly from over-payments to the calculated expenses as well as deducted capital return taxes and corporation tax credits, which will be reimbursed over a period of several years. Of the income tax claims, an amount of Euro 214 thousand (previous year: Euro 245 thousand) has a term to maturity of more than 12 months.

(6) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short-term, freely disposable cash in banks and cash in hand.

(7) ASSETS HELD FOR SALE

The property of the decommissioned site at Harlow, England, which was designated under the balance sheet item "assets held for sale" was sold on October 29, 2010. The purchase price of Euro 1.25 million British Pounds was paid by the buyer. From this transaction, a book gain of about Euro 0.4 million was achieved.

(8) SHAREHOLDERS' EQUITY

The share capital of the Turbon AG is Euro 10,333 thousand (previous year: Euro 10,333 thousand) and is divided up into 3,642,000 (previous year: 3,642,000) no par registered shares.

Based on the authorization for share buyback from February 5, 2009, the Executive Board submitted to the shareholders on May 28, 2010 a share buyback offer for up to 250,000 shares. Turbon AG was offered a total of 126,246 shares for sale up to the end of the acceptance period on June 15, 2010.

A further buyback offer for up to 131,634 Turbon AG shares was presented to the shareholders on November 29, 2010. From this offer, a total of 114,531 shares were offered to Turbon AG up to the end of the acceptance period on December 16, 2010.

On the balance sheet date, Turbon AG thus held a total of 347,097 (previous year: 106,320) of shares deducted from equity. As a result, the number of shares in circulation decreased from 3,535,680 to 3,294,903.

According to resolution of the General Meeting of Shareholders the Executive Board is authorized with consent of the Supervisory Board to buy back, sell or redeem shares of the Company.

The capital reserve consists almost exclusively of the premium on the capital increase carried out in 1991.

Individual elements in group equity and their development during the years of 2009 and 2010 arise from the Consolidated Statement of Changes in Shareholders' Equity on page 24.

(9) PENSION RESERVES

The direct and indirect obligations include those arising from current pensions and expectancy rights for pensions and retirement benefits payable in the future.

The company pension scheme for the group is based partly on contributions and partly on performance. The relevant expenses are – unless directly netted with equity – included in the costs of the functional areas. The compound interest on pension rights acquired in previous years and income from investments are shown in net interest income. Unrealized actuarial results are netted against equity in the year under review.

The pension obligations for performance related old age pension schemes are charged according to the project unit credit method as per IAS 19 (Employee benefits). In Germany, the calculation is based on the 2005 G. Heubeck tables. The pension benefits to be expected are spread over the entire length of service of employees.

The valuation is based on the following assumptions:

	Dec. 31, 2010	Dec. 31, 2009
Discount rate	5.40%	5.30%
Projected wage / salary growth	0.00%	0.00%
Projected pension growth	1.00 - 3.00%	1.00 - 3.00%
Fluctuation	0.00%	0.00%
Projected return on plan assets	4.70%	5.10%
Pension age	60-65	60-65

These parameters apply also in the following year for the calculation of costs of the pension rights acquired in the year under review, the compound interest on the pension rights acquired in previous years and the anticipated income from investments. The expected return on plan assets is based on the average interest rate on plan assets in the reported securities.

The pension values from the projected unit credit method and the market values of fund investments have changed as follows in the fiscal years 2010 and 2009:

	2010 1,000 Euro	Previous Year 1,000 Euro
Defined benefit obligation end of prior year	**10,691**	**9,360**
Changes in scope of consolidation	0	0
Current service cost	19	15
Interest cost	637	630
Actuarial gains (+) / losses (-)	319	890
Benefits paid	-661	-793
Changes in currency	387	589
Defined benefit obligation end of current year	**11,392**	**10,691**

Plan assets changed as follows in the fiscal years 2010 and 2009:

	2010 1,000 Euro	Previous Year 1,000 Euro
Plan assets end of prior year	**7,781**	**6,927**
Return on plan assets	408	384
Employer contribution on plan assets	198	601
Actuarial gains (+) / losses (-)	347	0
Benefits paid by plan assets	-550	-684
Changes in currency	351	553
Plan assets end of current year	**8,535**	**7,781**

To cover pension obligations due to employees of the British subsidiary, plan assets mainly comprise fixed interest bearing securities.

Total expenses on pension commitments are comprised as follows:

	2010 1,000 Euro	Previous Year 1,000 Euro
Cost of obligations acquired during the year	17	15
Interest expenses on present value of pension obligations	646	624
Expected return on plan assets	-408	-375
Expense for commitments	**255**	**264**
Actuarial results offset against shareholders' equity	-28	890
Total expense for commitments	**227**	**1,154**

The equity recognized in the reserve for actuarial gains and losses for the year under review is Euro 591 thousand (previous year: Euro 579 thousand).

The pension provision is calculated as follows:

	Dec. 31, 2010 1,000 Euro	Dec. 31, 2009 1,000 Euro	Dec. 31, 2008 1,000 Euro	Dec. 31, 2007 1,000 Euro	Dec. 31, 2006 1,000 Euro
Present value of unfunded obligations	2,224	2,208	1,995	2,062	2,061
Present value of funded obligations	9,168	8,483	7,366	9,460	11,369
Present value of pension obligations	11,392	10,691	9,360	11,521	13,430
Fair value of plan assets	-8,535	-7,781	-6,927	-9,002	-10,220
Present value of pension obligations less plan assets	2,857	2,910	2,433	2,519	3,210
Unrecognised actuarial results	0	0	0	0	0
Provision in accordance with IAS 19	**2,857**	**2,910**	**2,433**	**2,519**	**3,210**

Pension plans and obligations are valued at regular intervals. Actuarial investigations are performed each year for all significant entities.

(10) PROVISIONS

Changes in provisions were as follows:

	Balance Jan. 01, 2010 1,000 Euro	Currency conversion 1,000 Euro	With-drawal 1,000 Euro	Release 1,000 Euro	Allocation 1,000 Euro	Balance Dec. 31, 2010 1,000 Euro
Pension reserves	2,910	40	-205	0	112	2,857
Accrued taxes	2,871	-31	-1,091	-68	752	2,433
Other reserves and accrued liabilities	5,695	143	-3,678	-475	4,448	6,133
Thereof obligations to employees	1,206	32	-873	-14	1,295	1,646
Thereof business-related commitments	4,489	111	-2,805	-461	3,153	4,487

Provisions for taxes include Euro 1,317 thousand for long-term deferred tax assets (previous year: Euro 2,090 thousand). The decrease was largely due to netting against deferred tax assets. Other provisions include provisions for obligations from the sector of personnel, for advertising costs, for bonuses and provisions for various individual risks.

(11) OTHER LIABILITIES

Other liabilities include liabilities for other taxes of Euro 209 thousand (previous year: Euro 97 thousand) and liabilities for social security of Euro 235 thousand (previous year: Euro 118 thousand). The remaining increase was primarily due to a liability for consumption taxes at our premises in Romania. Other liabilities have a term to maturity of less than 12 months.

REPORTING OF FINANCIAL INSTRUMENTS

A distinction is made between primary and derivative financial instruments.

PRIMARY FINANCIAL INSTRUMENTS

The estimated market values of primary financial instruments are not necessarily the values the company would gain in the event of a real transaction at current market rates.

In the assets column, the financial assets, receivables, other assets (excluding deferred charges) and liquid assets are classified as primary financial instruments. Available for sale financial assets are carried at their fair value, all other financial assets are carried at amortized cost.

Primary financial instruments in the liabilities column mainly include liabilities valued at amortized cost.

The fixed interest-bearing financial liabilities are carried at their repayment rates. The carrying values of liabilities with variable interest rates correspond approximately to their market values, because these interest rates are based on variable interest rates that are based on market interest rates.

The stock of primary financial instruments is shown in the balance sheet, the amount of the financial assets corresponds to the maximum credit risk. Risks of financial assets are covered by valuation allowances where such risks are discernible.

The fair value is taken from stock exchange prices or is determined using recognized valuation methods.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivate financial instruments include forward exchange transactions used to hedge against specific business transactions. The market values are derived from valuation models whose main input factors are attributable to observable market data. The nominal volume corresponds to the total of all purchase and sale sums underlying the transactions. The forward exchange transactions concluded by Turbon AG have a term to maturity of up to 48 months.

Hedge Accounting in line with IAS 39 is used for currency derivatives to secure future receivables and liabilities denominated in foreign currencies with the objective of minimizing volatilities in the statement of income.

Fair value hedges serve to hedge against the risk of variations in market value. There was no fair value hedge accounting in the Turbon Group as at December 31, 2010. The same applies to net investment hedge accounting to secure the net assets of foreign investments.

Cash flow hedges serve to hedge against the risk of variable cash flows. The company concludes foreign exchange transactions to limit the currency risk. Since the hedging relationships are classified as highly effective, cash flow hedge accounting is applied to these transactions.

The financial assets and liabilities can be subdivided into valuation categories with the following carrying values:

Book values in valuation categories 2010	**Valuation categories according IAS 39**	**Book value as of Dec. 31, 2010**	**Balance sheet valuation according to IAS 39**			**Fair value as of Dec. 31, 2010**
			Amortized costs	Fair value recognized in Equity	Fair value recognized in income	
		1,000 Euro	1,000 Euro	1,000 Euro	1,000 Euro	1,000 Euro
Assets						
Financial assets	AFS	24	0	0	24	24
Cash and cash equivalents	LAR	10,320	10,320	0	0	10,320
Trade receivables	LAR	9,929	9,929	0	0	9,929
Other receivables	LAR	186	186	0	0	186
Derivative financial receivables	n/a	83	0	83	0	83
Net assets from settled foreign exchange contracts	n/a	700	0	700	0	700
Liabilities						
Fixed interest bond	HTM	-9,929	-9,929	0	0	-9,929
Trade payables	FLAC	-11,714	-11,714	0	0	-11,714
Other liabilities	FLAC	-1,228	-1,228	0	0	-1,228
Derivative financial liabilities	n/a	-84	0	-84	0	-84
Thereof accumulated according to valuation categories IAS 39						
Available for Sale (AFS)		24	0	0	24	24
Loans and Receivables (LAR)		20,435	20,435	0	0	20,435
Held to Maturity Investments (HTM)		-9,929	-9,929	0	0	-9,929
Financial Liabilities Measured at Amortised Cost (FLAC)		-12,942	-12,942	0	0	-12,942
Not allocated		699	0	699	0	699

Book values in valuation categories 2009	Valuation categories according IAS 39	Book value as of Dec. 31, 2009	Balance sheet valuation according to IAS 39			Fair value as of Dec. 31, 2009
			Amortized costs	Fair value recognized in Equity	Fair value recognized in income	
		1,000 Euro	1,000 Euro	1,000 Euro	1,000 Euro	1,000 Euro
Assets						
Financial assets	AFS	24	0	0	24	24
Cash and cash equivalents	LAR	9,947	9,947	0	0	9,947
Trade receivables	LAR	8,017	8,017	0	0	8,017
Other receivables	LAR	188	188	0	0	188
Derivative financial receivables	n/a	441	0	441	0	441
Assets held for sale	AFS	1,010	1,010	0	0	1,010
Liabilities						
Fixed interest bond	HTM	-9,897	-9,897	0	0	-9,897
Trade payables	FLAC	-10,747	-10,747	0	0	-10,747
Other liabilities	FLAC	-922	-922	0	0	-922
Thereof accumulated according to valuation categories IAS 39						
Available for Sale (AFS)		1,034	1,010	0	24	1,034
Loans and Receivables (LAR)		18,152	18,152	0	0	18,152
Held to Maturity Investments (HTM)		-9,897	-9,897	0	0	-9,897
Financial Liabilities Measured at Amortised Cost (FLAC)		-11,669	-11,669	0	0	-11,669
Not allocated		441	0	441	0	441

Financial instruments are recognized in the statement of income with the following net amounts (IFRS 7):

	2010 1,000 Euro	Previous Year 1,000 Euro
Net gain/loss on financial instruments	**-678**	**-872**
Receivables and other assets	-1,040	-913
Held to maturity	-32	-26
Available fo sale	394	67

The net loss on receivables and other assets include the interest result and write-downs on trade receivables. The net losses of financial investments held to maturity take account of the change from the interest cost of the fixed-interest bearer bond. The net gain on financial instruments available for sale includes an option premium in connection with the real property in Harlow, England.

RISKS FROM FINANCIAL INSTRUMENTS

Because it operates internationally, the Turbon Group is exposed to credit risks, liquidity risks and market risks in the course of its normal business operations. Market risks result in particular from market prices and currency rates. These risks are limited by systematic risk management. The group companies are also subject to strict risk management. Internal directives prescribe areas of action, responsibilities and controls with binding effect in close consultation with the Executive Board.

In some cases, derivative financial instruments are used to hedge currency risks from operations and risks from financing operations.

Detailed outlines of risks to which the group is exposed and the aims and processes of risk management are contained in the section "Risk Report" in the Management Report.

CREDIT RISKS

We are exposed to credit risks in our sales business, because customers may not meet their payment obligations. We limit this risk by undertaking regular credit rating analyses of our customer portfolio on the basis of a receivables management directive. This means that all customer receivables over Euro 20 thousand must be secured as far as possible by credit insurance or that other securities must be available. A greater part of the receivables are secured by credit insurance. Due to the current economic situation, the requirements for limit approval on the part of credit insurers have become much more stringent. It may be that limits are no longer sufficient for the full hedging of a customer relationship. In this case, strict historical empirical values with respect to the relevant customers are used to minimize the default risk.

Impairment provisions are formed for overdue receivables by way of a specific valuation allowance. The maximum non-payment risk is limited to the carrying amount.

Valuation allowances for the receivables disclosed in the following balance sheet items changed as follows:

Write-downs on Trade receivables 2010	Beginning balance Jan 01, 2010 1,000 Euro	Currency differences 1,000 Euro	Write-downs fiscal year 1,000 Euro	Write-ups fiscal year 1,000 Euro	Transfers 1,000 Euro	Disposals 1,000 Euro	Balance end of year Dec. 31, 2010 1,000 Euro	Book value of impaired receivables Dec. 31, 2010 1,000 Euro
Trade receivables	85	3	52	0	0	-75	65	0

Write-downs on Trade receivables 2009	Beginning balance Jan 01, 2010 1,000 Euro	Currency differences 1,000 Euro	Write-downs fiscal year 1,000 Euro	Write-ups fiscal year 1,000 Euro	Transfers 1,000 Euro	Disposals 1,000 Euro	Balance end of year Dec. 31, 2010 1,000 Euro	Book value of impaired receivables Dec. 31, 2010 1,000 Euro
Trade receivables	224	0	50	-55	0	-134	85	3

Overdue, non adjusted receivables in the following amount existed on the balance sheet date:

Receivables, past due and not impaired	Book value Dec. 31, 2010 1,000 Euro	thereof neither impaired nor past due as of Balance sheet date 1,000 Euro	thereof not impaired and past due in the following timeframes < 30 days 1,000 Euro	between 30 and 60 days 1,000 Euro	> 60 days 1,000 Euro
Trade receivables	9,929	8,646	1,140	87	56
Other assets	2,172	1,235	51	60	826

Receivables, past due and not impaired	Book value Dec. 31, 2009 1,000 Euro	thereof neither impaired nor past due as of Balance sheet date 1,000 Euro	thereof not impaired and past due in the following timeframes < 30 days 1,000 Euro	between 30 and 60 days 1,000 Euro	> 60 days 1,000 Euro
Trade receivables	8,017	7,216	583	95	120
Other assets	1,652	1,514	1	0	137

Of the aforementioned, non-adjusted receivables, the greater part has been settled at the time of preparation of these financial statements.

The Turbon Group is exposed to a credit risk on derivative financial instruments, which is caused by non-performance of contractual agreements by the contracting partners. The company limits this risk by concluding transactions only with credit institutions with a first-class credit rating.

LIQUIDITY RISKS

There is a liquidity risk if the liquidity reserves are not sufficient to meet our financial obligations on time. However, daily cash reporting as well as an 8 week cash plan updated on a weekly basis ensures that such a risk is minimized. Sufficient credit lines are available with commercial banks, but unutilized at the present time due to sufficient liquidity. Additional liquidity is available through an existing factoring agreement.

Financial liabilities in the next few months and years will probably result in the following non discounted payments:

Redemption and interest payments on financial liabilities	Book value Dec. 31, 2010	Redemption payments			Interest payments		
	1,000 Euro	2011 1,000 Euro	2012-2015 1,000 Euro	from 2016 1,000 Euro	2011 1,000 Euro	2012-2015 1,000 Euro	from 2016 1,000 Euro
Fixed interest bond	9,929	0	10,000	0	720	1,110	0
Other liabilities	13,026	13,026	0	0	0	0	0

Redemption and interest payments on financial liabilities	Book value Dec. 31, 2009	Redemption payments			Interest payments		
	1,000 Euro	2010 1,000 Euro	2011-2014 1,000 Euro	from 2015 1,000 Euro	2010 1,000 Euro	2011-2014 1,000 Euro	from 2015 1,000 Euro
Fixed interest bond	9,897	0	10,000	0	720	1,830	0
Other liabilities	11,693	11,693	0	0	0	0	0

The issue of the fixed-interest bearer bond, which is due for repayment in July 2013 (original term seven years), is linked to various conditions. In addition to the general conditions, there are financial requirements that certain relations as regards the interest and debt ratio must be maintained. These relations were complied within the fiscal year.

MARKET RISKS

The Turbon Group is exposed to market risks primarily because of changes in exchange rates. Currency risks arise mainly with payments and trade receivables and payables.

The Turbon Group also has income and expenses in foreign currencies. At the group level, net items are formed for the most important currencies in the context of centralized currency management and, if necessary, hedged via forward exchange transactions with external contracting counterparties (credit institutions). Since the relevant hedging relationship is classified as highly effective, cash flow hedge accounting is applied in accordance with the requirements of IAS 39 "Financial Instruments: Recognition and Measurement". The relevant fair values resulting from valuation at market prices are shown in the following table and recognized directly in other comprehensive income, taking account of deferred taxes. The secured cash flows will arrive in the next 24 months.

	Dec 31, 2010			Dec 31, 2009		
	Nominal value	Positive Fair value	Negative Fair value	Nominal value	Positive Fair value	Negative Fair value
Foreign exchange contracts	9,607	83	-84	17,724	452	-10
thereoff Cash flow-Hedges	9,607	83	-84	17,724	452	-10

Fair values are stated in the balance sheet in other assets or other liabilities. The market values are derived from valuation models whose main input factors are attributable to observable market data. In 2010, the other comprehensive income changed by changes in the fair market value of derivatives, which are designated as cash flow hedges, by Euro -442 thousand to Euro -1 thousand (previous year: Euro 441 thousand). In the year under review, Euro -96 thousand was realised from the market value changes of derivatives designated as cash flow hedges, which were initially recognized as profit-neutral in the other comprehensive income. Of this, Euro -354 thousand accounts as sales and Euro 258 thousand as product purchase designated hedging relationships.

Furthermore derivatives which are designated as cash flow hedges have been closed completely by transactions with identical nominal and temporal terms. As per December 31, 2010 this item amounted to Euro 700 thousand before taxes in Equity.

IFRS 7 requires sensitivity analyses for the presentation of market risks, which show the effects of hypothetical changes of relevant risk variables on net income. Currency risks as defined by IFRS 7 do not arise on assets and liabilities in Euros. The following table shows the effect on the equity of the Turbon Group in each case of a 10% change in the currency risk position:

2010	USD	GBP	Total
Szenario 1: Revaluation to € by 10%	-100	489	**389**
Szenario 2: Devaluation to € by 10%	82	-400	**-318**

2009	USD	GBP	Total
Szenario 1: Revaluation to € by 10%	384	456	**840**
Szenario 2: Devaluation to € by 10%	-314	-374	**-688**

Explanations to the Consolidated Statement of Income

Segment reporting is based on the internal organizational and reporting structure, which is distinguished by regional markets in which the Turbon Group operates.

Segment Report by Regions

for the period from January 01 until December 31, 2010	Europe 1,000 EURO	USA 1,000 EURO	Asia 1,000 EURO	Regions 1,000 EURO	Consoli-dation 1,000 EURO	Group 1,000 EURO
Sales with third parties	59,392	15,294	1,031	75,717	0	75,717
Sales with group companies	29,039	2,011	27,435	58,485	-58,485	0
EBIT	5,059	-2,233	1,949	4,775	73	4,848
Assets	115,415	33,911	24,543	173,869	-115,710	58,159
Liabilities	48,623	17,390	4,760	70,773	-36,395	34,378
Financial income	229	10	53	292	-265	27
Financial expense	1,269	11	0	1,280	-265	1,015
Capital expenditure	326	50	144	520	0	520
Depreciation	716	121	397	1,234	0	1,234
Average workforce during the period*	750	74	181	1,005	0	1,005

* Additionally 615 temporary staff in Thailand

for the period from January 01 until December 31, 2009	Europe 1,000 EURO	USA 1,000 EURO	Asia 1,000 EURO	Regions 1,000 EURO	Consoli-dation 1,000 EURO	Group 1,000 EURO
Sales with third parties	54,455	30,421	1,006	85,882	0	85,882
Sales with group companies	31,296	3,089	27,615	62,000	-62,000	0
EBIT	3,367	443	2,767	6,577	177	6,754
Assets	139,005	37,166	29,373	205,544	-149,188	56,356
Liabilities	80,025	19,915	4,818	104,758	-71,692	33,066
Financial income	348	100	0	448	-260	188
Financial expense	1,366	0	0	1,366	-260	1,106
Capital expenditure*	1,091	45	44	1,180	0	1,180
Depreciation	1,175	142	398	1,715	0	1,715
Average workforce during the period**	687	85	181	953	0	953

* Refurbishment measures at the long-term let property Meerbusch, which is reported as deferred item, have close-investment nature
** Additionally 524 temporary staff in Thailand

Intercompany sales took place unchanged at the usual arms-length rates. The presentation shows balances for the region which have been added together and were not consolidated.

(12) SALES

Sales of Euro 66.8 million (previous year: Euro 76.2 million) were made with laser cartridges. Sales of other products (ink jet, impact products) totalled Euro 8.9 million (Euro 9.7 million in the previous year).

(13) SELLING EXPENSES

Selling expenses increased by Euro 0.4 million to Euro 5.8 million, mainly due to higher personnel expenses.

(14) ADMINISTRATIVE EXPENSES

As compared to 2009, administrative expenses slightly declined again from Euro 6.1 million to Euro 5.9 million.

(15) OTHER OPERATING INCOME

Other operating income includes in particular the balance after netting currency gains and losses (Euro 851 thousand, previous year Euro: 262 thousand). Other book gains arose from the sale of the property in Harlow (Euro 394 thousand) and various earnings from the release of accruals (Euro 475 thousand).

(16) OTHER OPERATING EXPENSES

In addition to expenses not assigned to the other functional areas, the other operating expenses mainly include accruals of Euro 1,027 thousand, associated with the closure of the facility at Cinnaminson, USA.

(17) TAXES ON INCOME

Recognized as income tax are the income taxes in the individual countries and the deferred tax balances. Expenses on income tax including deferred taxes are comprised as follows:

	2010 1,000 Euro	Previous Year 1,000 Euro
Current taxes	-1,526	-978
Deferred taxes	-170	-1,395
	-1,696	**-2,373**

Allocation of deferred tax balances:

	Deferred tax assets		Deferred tax liabilties	
	Dec. 31, 2010 1,000 Euro	Dec. 31, 2009 1,000 Euro	Dec. 31, 2010 1,000 Euro	Dec. 31, 2009 1,000 Euro
Long-term assets	169	221	1,099	1,536
Inventories	245	341	0	421
Other short-term assets	0	99	218	133
Pension reserves	102	127	0	0
Tax losses carried forward	1,307	1,996	0	0
Balance pursuant to consolidated balance sheet	**1,823**	**2,784**	**1,317**	**2,090**

Deferred taxes result from temporary differences in values between the tax base of assets and liabilities and their carrying amounts under IFRS. Deferred tax receivables and deferred tax liabilities are netted if these exist against the same tax authority and if they meet the obligations of IAS 12.71.

The tax losses carried forward of the German companies were completely used up in the course of the year. On December 31, 2010, they were present at the American subsidiary, but also to a lesser extent at the English, Romanian and Thai subsidiaries. Deferred tax assets were recognized for losses carried forward where it was sufficiently probable that these losses carried forward could be used and as long as it can occur before expiration of tax losses carried forward. The increase in deferred tax sums is due to higher losses carried forward and, therefore, to the improvements in results to be expected as a consequence of the restructuring measures performed. Normally used as the period for this forecast are the 5 years following the fiscal year.

The following losses carried forward are related to local income taxes:

	2010 1,000 Euro	Previous Year 1,000 Euro
Tax assets from losses carried forward in the group as of Jan 01	**18,851**	**24,969**
Additions / Disposals	6,249	-5,534
Currency related changes	1,368	-584
Tax assets from losses carried forward in the group as of Dec 31	**26,468**	**18,851**
Losses carried forward not recognized as of Jan 01	**-9,431**	**-9,780**
Losses of current year not useable	-6,198	0
Adjustment of losses of previous years not useable	-4,205	0
Currency related changes	-732	349
Losses carried forward not recognized as of Dec 31	**-20,566**	**-9,431**
Taxable losses carried forward as of Dec 31	**5,902**	**9,420**

The reconciliation of computed with actual tax expenses is shown in the following table:

	2010 1,000 Euro	Previous Year 1,000 Euro
Expected tax income	-1,246	-1,885
Decrease of impairment on taxable losses carried forward	-2,218	-250
Gains without deferred taxes	138	0
Deviations from taxable base	1,560	-178
Expenses from reduction of tax assets	-337	0
Gains from capitalized tax assets	325	0
Other deviations	82	-60
	-1,696	**-2,373**

The computed tax result rate is calculated on the basis of the weighted average of the domestic tax rate of 32.3% (previous year: 32.3%). The average foreign tax rate is 32.1% (previous year: 34.0%).

As well as tax expenses and tax income recognized in the statement of income, an amount of Euro -87 thousand (previous year: Euro -93 thousand) was recognized in equity.

(18) EARNINGS PER SHARE

Undiluted earnings per share were calculated by dividing consolidated net income (Euro 2,164 thousand; previous year: Euro 3,463 thousand) by the average number of shares issued (3,472,557; previous year: 3,619,107). To determine diluted earnings per share of previous year, the average number of shares issued was increased by the number of subscription rights still existing under the 2003 stock-option plan (previous year: 3,634,107).

(19) OTHER DETAILS OF THE CONSOLIDATED STATEMENT OF INCOME

The costs of sales include the following material expenses:

	2010 1,000 Euro	Previous Year 1,000 Euro
Cost of raw materials, supplies and trading stock	34,615	40,736
Cost of purchased services	29	15
	34,644	**40,751**

Personnel expenses are divided up as follows:

	2010 1,000 Euro	Previous Year 1,000 Euro
Wages and salaries	13,009	12,797
Social security, pension and other benefit costs	2,864	2,733
thereof for pensions	269	199
	15,873	**15,530**

Employed by the group on average for the year:

	2010	Previous Year
Industrial employees	701	657
Clerical employees	293	284
Trainees	11	12
	1,005	**953**
Additionally temporary staff in Thailand	615	524

Other Information

CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

There were no contingent liabilities on either of the balance sheet dates.

Other financial obligations:

Future financial obligations from rent and lease payments have the following maturities until expiry of the minimum term of the contracts:

	Dec. 31, 2010 1,000 Euro	Dec. 31, 2009 1,000 Euro
Due within one year	928	1,958
Due after more than one year and up to five years	6,568	6,966
Due after more than five years	4,830	3,964
	12,326	**12,888**

Included in the Euro 12,326 thousand are the existing leases on the property in Hattingen (headquarters of Turbon AG and Turbon International GmbH) totalling Euro 7,868 and the already accrued one-time payment for the termination of the lease in Cinnaminson, NJ (former location of Curtis-Young Corporation), totalling Euro 561 thousand.

The future financial obligations from payments into the pension fund of Turbon Nordic (Pensions) Ltd. amount to 69 thousand British Pounds every year for the next 14 years.

Financial obligations to third parties for investment projects which had already started were within the usual range.

CASH FLOW STATEMENT

The cash flow statement is presented on page 26.

Cash funds comprise cash in banks and cash on hand.

RELATED PARTY DISCLOSURES

The Turbon Group had the following relationships with related parties from delivery and supply relationships concluded in the past:

	2010 1,000 Euro	Previous Year 1,000 Euro
Deliveries and services provided	988	1,272
Deliveries and services received	-151	-171

	Dec. 31, 2010 1,000 Euro	Dec. 31, 2009 1,000 Euro
Trade receivables	129	35
Trade payables	-51	-34

Business relationships with related parties are effected under the same conditions as with third parties (arm's length transaction).

MEMBERS OF THE SUPERVISORY BOARD AND EXECUTIVE BOARD

SUPERVISORY BOARD

Members of the Supervisory Board hold, in addition to their control functions at Turbon AG, the following mandates in supervisory boards required by statute and comparable control instances of commercial enterprises (effective date: December 31, 2010):

Hans-Joachim Scholten

Dipl.-Kaufmann, Alzenau
– Chairman –

Dr. Paul-Michael Günther

Lawyer, Public Accountant and Tax Consultant, Wuppertal
- Vice Chairman -

DRICON Managing Consultants AG, Frankfurt am Main
- Supervisory Board Chairman -

Thomas Hertrich

Tax Director, Europe, NCR GmbH, Aystetten

Simon J. McCouaig

Vice President Europe, Consumables Solutions, NCR Corp., Wantage, Oxford, UK

Girolamo Cacciatore

Works Council Chairman, Remscheid
- Employee Representative -

Dietmar Kirsch

Technical Employee, Langenfeld
- Employee Representative -

EXECUTIVE BOARD

Aldo C. DeLuca

Ivyland (PA), USA
- Executive-Board Spokesman -

Michael Pages

Moers

TOTAL COMPENSATION OF THE SUPERVISORY BOARD AND EXECUTIVE BOARD

The total compensation paid to the Supervisory Board in the 2010 fiscal year was Euro 116 thousand (previous year: Euro 136 thousand). Turbon AG also paid a pro-rata share of EUR 7 thousand (previous year: Euro 7 thousand) under a collective liability insurance agreement in the fiscal year ended.

The total compensation paid to the Executive Board of Euro 501 thousand in the year under review (previous year: Euro 548 thousand) was split between the individual Executive Board members as follows:

	Aldo C. DeLuca 1,000 Euro	Michael Pages 1,000 Euro
Compensation Fixed	236	184
Variable	54	27
	290	**211**

We refer to our detailed explanations in the compensation report as part of the management report (Corporate Governance Report).

The expenditure on pension commitments for former Executive Board members in the 2010 fiscal year was Euro 105 thousand (previous year: Euro 104 thousand). The pension reserve for this group amounted to Euro 1,985 thousand (previous year: 1,995 thousand).

Current payments for a former Executive Board member in the 2010 fiscal year were Euro 85 thousand (previous year: Euro 85 thousand).

DECLARATION ON THE CORPORATE GOVERNANCE CODE

The declaration regarding the German Corporate Governance Code required according to Section 161 AktG was issued and made available to the shareholders.

AUDITORS' FEES

The following fees were recorded as an expense for the services provided by the auditor of the annual and consolidated financial statements, BDO Aktiengesellschaft Wirtschaftsprüfungsgesellschaft:

	Dec. 31, 2010 1,000 Euro	Dec. 31, 2009 1,000 Euro
Audits	118	123
Other services for certification or estimation	4	0
	122	**123**

Hattingen, March 31, 2011
The Executive Board
Aldo C. DeLuca
Michael Pages

Responsibility statement

To the best of our knowledge, we declare that the consolidated financial statements prepared in accordance with enacted accounting principles give a true and fair view of the net worth, financial position and results of operations of the group, and the combined management and group management report includes a fair review of the group's development and performance and of its position, together with a description of the principal opportunities and risks associated with the expected development of the group in the remaining months of the financial year.

Hattingen, March 31, 2011
The Executive Board
Aldo C. DeLuca
Michael Pages

Turbon AG, Hattingen

Auditor's Report

We have audited the consolidated financial statements prepared by the Turbon AG, Hattingen, comprising the balance sheet, the income statement and statement of comprehensive income, statement of changes in equity, cash flow statement, and the notes to the consolidated financial statements, together with the management report of the group and Turbon AG for the business year from January 1, 2010 to December 31, 2010. The preparation of the consolidated financial statements and management report of the group and Turbon AG in accordance with IFRS, as they are to be applied within the EU, and supplementary provisions of § 315 a (1) HGB [„Handelsgesetzbuch": „German Commercial Code"] are the responsibility of the Parent Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the management report of the group and Turbon AG based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [„Handelsgesetzbuch": „German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with principles of proper accounting and in the management report of the group and Turbon AG are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the management report of the group and Turbon AG are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the management report of the group and Turbon AG. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as they are to be applied within the EU, and supplementary provisions of § 315 a (1) HGB [„Handelsgesetzbuch": „German Commercial Code"] and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. The management report of the group and Turbon AG is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, March 31, 2011
BDO AG
Wirtschaftsprüfungsgesellschaft

Horn
Wirtschaftsprüfer
(German Public Auditor)

Massing
Wirtschaftsprüfer
(German Public Auditor)

Shareholdings of Turbon AG

as of December 31, 2010

		Share of capital (%)	held thru no.	Currency	Equity	Annual result
					in 1,000 currency units	
Affiliated companies included in the Consolidated Financial Statements						
1	Turbon AG, Hattingen			EUR	33,508	5,940
2	Turbon International GmbH, Hattingen*	100.00	1	EUR	4,301	0
3	Turbon International, Inc., York(PA)/USA	100.00	1	USD	37,384	0
4	Curtis Young Corporation, Cinnaminson (NJ)/USA	100.00	3	USD	-12,253	-2,948
5	Carbotex Company Limited, Samutprakarn/ Thailand	100,00	10	THB	722,460	-66,853
6	Keymax Nordic Holding A/S, Tästrup/ Denmark	100.00	1	DKK	2,276	-1,835
7	Keytec (GB) Ltd. Axminster (Devon), Great Britain	100.00	1	GBP	1,019	354
8	Kores Nordic Belgium NV-SA, Grimbergen/ Belgium	100.00	6	EUR	482	-219
9	Tonerfill Romania S.R.L., Oltenita/Romania	100.00	1	RON	4,089	2,850
10	Carbotex Beteiligungs GmbH, Hattingen*	100.00	1	EUR	23,023	0
11	BIL Leasing Verwaltungs-GmbH & Co. Objekt Meerbusch KG, Pöcking	95.00	1	EUR	-136	-24
Affiliated companies not included in the Consolidated Financial Statements						
12	Turbon Nordic (Pensions) Ltd., Harlow (Essex)/Great Britain	100.00	7	GBP	2	0
13	Keytec Industries (GB) Ltd. Axminster (Devon), Great Britain	100.00	7	GBP	432	0
Other participations						
14	BIL Leasing Verwaltungs-GmbH & Co. Objekt Hattingen KG, Pöcking	95.00	1	EUR	-1,558	170

* after transfer of result to Turbon AG

In 2011 some companies will be renamed as shown on page 5.

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